

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Washtenaw County		County Washtenaw	
Audit Date 12/31/04		Opinion Date 3/04/05		Date Accountant Report Submitted to State: 3/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

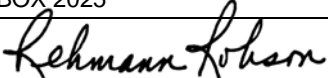
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

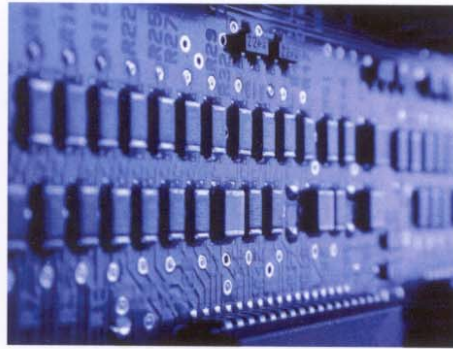
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

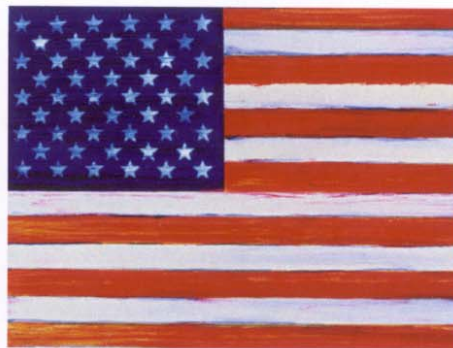
We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Zip 48605		Accountant Signature 	

Community



Happy children – Clean environment – Business growth



Accessible services – Safe neighborhoods – Affordable housing



Healthy bodies – Continuous improvement – Involved Communities



IMPACT



Washtenaw County
Comprehensive Annual Financial Report
Year Ended December 31, 2004

WASHTENAW COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2004

Prepared by the Finance Department

WASHTENAW COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2004

BOARD OF COMMISSIONERS

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DEPUTY COUNTY ADMINISTRATOR

Frank Cambria

FINANCE DIRECTOR

Peter Ballios

INDEPENDENT AUDITORS

Rehmann Robson

WASHTENAW COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2004

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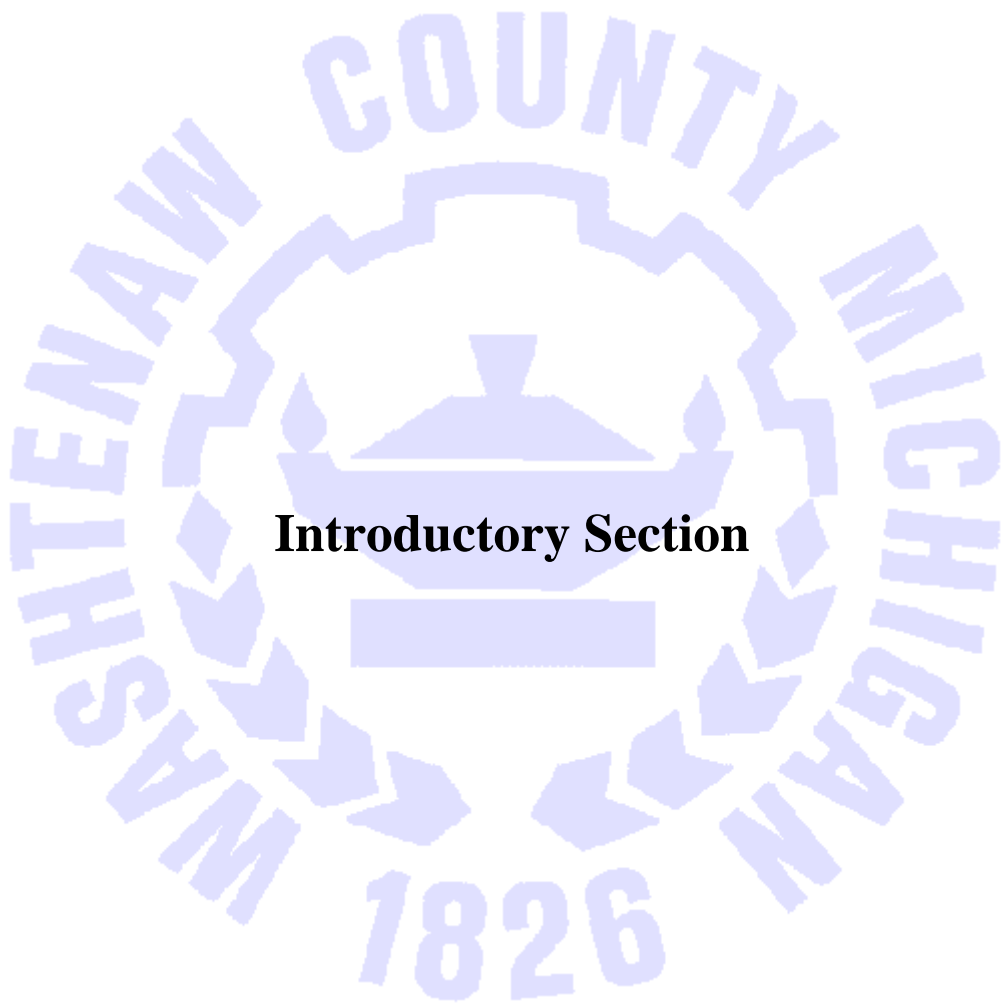
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Introductory Section



COUNTY ADMINISTRATOR

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March 4, 2005

**To the Board of Commissioners and the Citizens of
Washtenaw County:**



The Comprehensive Annual Financial Report (CAFR) of Washtenaw County for the year ended December 31, 2004, is submitted herewith. It was prepared by staff in the Finance Department with significant assistance from the accounting personnel in the Treasurer's Office, Drain Commissioner's Office, Public Works, Community Support and Treatment Services, Public Health, and other County departments. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report for Washtenaw County for the fiscal year ended December 31, 2004.

This report consists of management's representations concerning the finances of Washtenaw County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Washtenaw County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Washtenaw County, incorporated in 1827, is located in the southeast region of Michigan's Lower Peninsula, approximately 40 miles west of Detroit. It is the sixth largest county in the State of Michigan, with an estimated 2004 population of 345,715. Sixty-five percent of the County's population resides in four main areas. Its major cities are Ann Arbor and Ypsilanti, with estimated populations of 114,328 and 21,987, respectively. The County's two largest townships are Ypsilanti and Pittsfield, with estimated populations of 53,033 and 33,682, respectively. It covers an area of approximately 710 square miles. The County seat is located in the City of Ann Arbor.

The governmental structure of Washtenaw County is based upon the State Constitution and the general laws of the State of Michigan. The County's legislative body, and its administrative body for many functions, is the County Board of Commissioners. The Board consists of eleven commissioners elected by direct vote from single-member districts.

In addition to the Board of Commissioners, there are fifteen elected officials serving the County in judicial, administrative, or staff officer roles. An organization chart depicting the County structure is shown on the page following this letter.

The County is responsible for the management and financing of many services for its citizens. These services are separated into the following major program areas: legislative, judicial, support services, human services, planning and environment, and public safety and justice.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Washtenaw County operates.

Local Economy

Washtenaw County is a tremendous place to live and work. Beautiful parks, hundreds of miles of bike and nature trails and a commitment to "open spaces" and community development means easy access to living and pleasure in every season. Combine this with top-notch school systems, and some of the greatest restaurants, galleries, and cultural events in the country. We possess a unique blend of quality urban areas and beautiful rural settings.

Our largest city, Ann Arbor, continues to be voted one of America's top cities. In the past year, Ann Arbor has made the top eight list of CNN/Money Best Places to Retire, the top 10 of Entrepreneur.com Best Cities for Entrepreneurs and the top five of America's Best Online. "Cities Ranked & Rated" by Bert Sperling revealed that Ann Arbor placed sixth overall in the nation. In his book, cities were ranked on 100 different criteria in nine major categories including arts and culture, climate, crime, economy, education, housing, overall quality of life, recreation, and transportation. During an online chat in April, 2004, in response to the question, "What aspects rated Ann Arbor so high?" Sperling responded, "First of all, the economy is high... college towns have a good, solid economic base, and these days, that's especially important. Second of all, it has a well-educated population... Also, despite its smaller size, it has a fairly good arts and culture rating. Transportation is good and the crime rate's quite low."

We are fortunate to have many educational institutions located within our borders. The University of Michigan in Ann Arbor and Eastern Michigan University in Ypsilanti are two world class educational and cultural centers of the Midwest, with first rate research facilities, libraries, museums, theaters and sports facilities. Other institutions are Washtenaw Community College, Concordia University and Cleary University. Over 41% of county residents 25 years and older have completed four or more years of college.

Washtenaw County remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The assessed value of the taxable property to fund the County's 2004 operations (the 2003 valuation) was approximately \$15 billion, an increase over the prior year of \$1.3 billion, or roughly 10%. The economic base of the County is continuing to increase. The 2004 valuation (to fund 2005 operations) shows an 8.5% increase over the 2003 valuation.

Washtenaw County has maintained strong population growth over the past two decades. This growth is expected to continue. Our 2000 Census population was 322,770. The estimated 2030 population is 448,020. The median household income of our residents is over 16% higher than that of the State of Michigan and over 23% higher than the United States. Personal income figures for our citizens have risen significantly in recent years. This indicates a healthy economy and an increased standard of living for our residents.

Washtenaw County is centrally located with access to four major freeways, three airports, two ports within forty miles and five rail lines. This provides county businesses with excellent access to local, domestic, and international markets. Major business sectors include print and publishing, software, automotive and biotechnology. In addition, high quality healthcare is available.

We are home to a highly educated and skilled work force and are centrally located to attract employers and employees. Approximately one third of the people working here commute each day from outside the County. The ten major employers in the County are: the University of Michigan, the University of Michigan Medical Center, General Motors Corporation, Visteon, St. Joseph Mercy Hospital, Pfizer Global Research and Development, Eastern Michigan University, ProQuest/UMI, Washtenaw County, and Borders Group Inc.

Agriculture also plays an important role in our economy. Corn, oats, soybeans and wheat are major cash crops. Apples are the most widely grown fruit crop. Dairy farming and raising beef cattle are also found in Washtenaw County.

Long-Term Financial Planning

The Board of Commissioners has committed to ensure the long-term fiscal stability of the County. Changes in state funding, revenue sharing restrictions and unforeseen increases in overall operating costs resulted in many cost reduction strategies being implemented in 2004. The 2005 adopted budget focuses on expanding capacity by aligning and integrating programs around communities of interest, reducing costs by addressing duplications and redundancies, and includes a framework for ensuring fiscal stability for the next ten years.

The following principles were developed to guide decisions: maintain core/mandated services, minimize community impact, attempt to find alternative funding sources for State and Federal

cuts, identify and implement administrative efficiencies, distribute reductions across populations and providers, and maintain commitment to infrastructure (space, equipment, technology and professional development). These principles were instrumental in developing a balanced budget that has minimal reductions in direct services.

In addition to preparing a budget with proactive strategies to maximize efficiencies and effectiveness while cutting costs, good news came from the State legislature in October. New legislation was passed that will shift the timing of property tax payments to create a revenue stream that, for the next ten years or so, will offset the reduction in state revenue sharing. The new measure gradually moves up property tax collections from the winter to the summer over the next three years. Counties will be able to take from this pool the exact amount of funding that would have been available through state revenue sharing.

Technology has played an increasingly larger role in how citizens, visitors, businesses, and employees conduct business with the County. The County commits to maintain and upgrade the technological infrastructure and to be a leader in E-Government aimed toward improving citizen access to government services.



In addition, the County has also continued its commitment to providing the necessary knowledge, skills, tools and resources to create community impact. Support Services has been restructured around four natural areas of concentration:

- **Business Services** (Contract/Leasing, Auditing, Comp & Class, Recruitment & Hiring, Labor Relations, Payables/Receivables, Accounting, Purchasing, Risk Management and Mail & Delivery) to provide systems and services for the daily operations of Washtenaw County and our partner organizations.
- **Infrastructure Services** (Professional Development, Desktop Support, Network Support, Telecommunications, Application Support, Building Operation & Maintenance, Fleet and Library Learning Resource Center) to implement the County's strategic direction through the provision of knowledge, skills, tools and resources to create community impact.
- **Individual Employee Services** (Payroll, Employee Benefits, Retirement Administration, Events Planning and Employee Relations) to provide services that enhance relationship with our employees.
- **Strategic Planning and Implementation** (Budget, Reorganizations, Technology Plan, Space Plan and Capital Improvements) to effectively lead the Support Services Leadership Team in aligning, integrating, coordinating and implementing all functional area goals as identified in the Strategic Plan and Business Model impact.

County Annex Building



Support Services is organized around the understanding of who does what best and letting them do it. Restructuring has provided rapid and effective responses, to customer needs, in a constantly changing environment. It has created one point of contact for customer support and reduced the cost of doing business.

It has also changed the culture to one in which everyone contributes and is responsible for the work. Infrastructure Services and Strategic Planning and Implementation have been co-located in an effort to integrate work, save time and money, and improve work flow into the future.

The Washtenaw County Space Plans seek to address building space needs of Washtenaw County government for the next 25-30 years. The result of the space plans have been better service delivery to the public, accomplished by locating related county facilities in close proximity and in locations convenient to the public. The County's investment in new facilities prior to 2004 has shifted its focus from expansion to improvement of existing facilities.

Major renovations -- remodeling of the County Administration Building, County Annex Building and County Courthouse and addressing the critical infrastructure needs of the County Corrections Facility at the County Service Center -- have been financed without an increase in property tax millage. The County's building infrastructure, as well as a comprehensive 20-year capital maintenance schedule, is well positioned to support the business needs through the coming decade.

Given the projected fiscal constraints, and in concert with the systems integration, the County anticipates a net reduction in workspace. The approach to this reduction will occur in a systematic way, conscious of the opportunity to take off-line buildings whose increasing maintenance costs exceed the value they provide to the organization and redirecting their sale proceeds toward improving our core campuses.

The following is a brief summary of the specific Space Plan projects scheduled to be accomplished during the next ten years:

- Improvement/Expansion to the Washtenaw County Corrections Facility
- Court Needs and Courthouse Remodeling and/or Replacement
- Expansion of the County Library Learning Resource Center
- Huron Valley Ambulance Headquarters Building
- Relocation of the County Garage

Washtenaw County spends more than \$1 million per year on energy costs. Most of Michigan's electricity is generated at coal-fired plants, or it is imported from other states. The energy conservation initiative began in early spring of 2004. The County is committed to a reduction in energy costs. An analysis of the energy consumption in County buildings was completed to

County Administration Building

determine a plan to upgrade the County's energy systems. A few assertions about efficiency to reduce our energy demand and costs can be made:



- **It helps the environment** (burning coal leads to acid rain, greenhouse gases and even mercury in the Great Lakes).
- **It improves public health** (burning coal brings about more particulates that can lead to more ozone action days, smog and all that comes with them).
- **It can support the local economy** (less money going to out-of-state energy companies means more money going to local contractors, perhaps in pursuit of energy efficient projects).
- **It can ensure fiscal stability for the County** (spending less money on energy costs means more money available for improving the infrastructure in other ways).

Implementation of energy efficiency improvements began in the fall of 2004 and included (but were not limited to) upgrades to mechanical/electrical, lighting and control systems throughout 19 County owned and operated facilities. Improvements will result in annual savings in utilities and maintenance costs, and are scheduled to be completed by the end of 2005.

One of the qualities that makes Washtenaw County a desirable place to live is the abundance of recreational areas. The mission of the Washtenaw County Parks and Recreation Commission (WCPARC) is to enhance the quality of life in the County by efficiently providing high quality facilities and programs that reflect recreational needs of residents and visitors; and through the preservation of the natural environment with particular emphasis on fragile lands, water quality and wildlife habitat.

The 35-mile **Border-to-Border Trail** is WCPARC's major development initiative—a multi-agency effort to create a non-motorized, multiuse trail through the Huron River corridor. This corridor has been given the highest priority for greenway implementation due to its potential to provide public benefits such as education/interpretation, resource conservation, non-motorized transportation, and recreation.

For planning and implementation purposes, the Border-to-Border trail was split into 13 major segments connecting Livingston County in the north to Wayne County in the southeast. The first segment, Segment J, was completed last fall. The 2.0 mile main trail runs past the Washtenaw Community College and around Saint Joseph Mercy Hospital. Two side trails, with custom designed observation decks, provide incredible views of the Huron River.

**DeVine Nature Preserve
in Scio Township**



Natural Areas Preservation Program (NAPP) property acquisitions continued during 2004. The Parks and Recreation Commission purchased 438 acres during 2003 and 275 acres during 2004. Nominations from property owners are currently being accepted for consideration. Natural areas have been preserved in Bridgewater Township (127 acres), Freedom Township (180 acres), Manchester/Sharon Township (205 acres), Scio Township (137 acres) and Superior Township (64 acres). NAPP properties are open to the public but means of access are currently under development.

These favorable local trends are counterbalanced, however, by other factors. State and federal cutbacks provide additional challenges in maintaining current services with even less support. Fiscal factors create a trend toward ever-tightening budgets under which the County must operate. Now is the County's opportunity to create positive community impact in ways that are more streamlined, cost effective and labor saving. The focus is about finding common ground.

A "Community of Interest" occurs wherever and whenever there are shared common goals. Employees are a Community of Interest – hoping to find ways to give even better service while making processes more efficient. Programs and work groups or teams are a Community of Interest – trying to meet needs and more. County Departments and outside agencies - helping residents in so many ways to bring about a safe, just, healthy, compassionate and sustainable Washtenaw County community – are a Community of Interest. Through communication and collaboration, and a passion for creating positive community impact, we all will find ways together to make a difference.

During 2004 two major initiatives demonstrate the meaning of Community of Interests. One is the ongoing effort to reduce – in fact to end – homelessness in this community. Since initial efforts to bring this community together to fight homelessness, now nearly a decade ago, new goals have been set and remarkable strides have been made. Those strides, which include the extraordinary work conducted at the Robert J. Delonis Center, have pulled this community all the way to an important new goal: a plan to end homelessness in Washtenaw County within the next ten years.

Nearly 8% of people living in poverty in Washtenaw County are homeless and the actual numbers translate to 41 people becoming homeless every week of the year. Over the course of a year more than 2,700 people in the County are not sure where they will sleep at night. The numbers are costly, multiplying many times over in our schools, hospitals, and courts. It costs as much for a community to allow a person to be homeless as it does to ensure an affordable apartment and the necessary services to address whatever led to his/her homelessness.

Knowledge and experience from every corner of the County, as well as best practices on reducing or ending homelessness from around the country, created "A Home for Everyone: A Blueprint to End Homelessness In Washtenaw County". On September 21, 2004, the community – human

services providers, people in local, state and national government, people who have been homeless and interested citizens-attended a forum in which the plan was made public. The plan is a result of years of meetings, and the work of hundreds of people who care about the issue. It is driven by four main themes: **Prevention** of homelessness; more affordable **Housing with Services** to keep people stable and in housing; **Reform the System of Care** so that area agencies work more effectively and efficiently together; and, finally, **Engage the Community**.

The “Blueprint” has been formed with the commitment of many people and organizations, and considerable commitment from Washtenaw County government. Though our health and social service communities of interest are heavily involved in this effort, we are **all** involved – as employees of this public service organization and as citizens of Washtenaw County.

The other is the Criminal Justice Collaborative Council (CJCC) which was charged with developing policies and improving processes across the entire Safety and Justice Community of Interest. One of the outcomes of the initiative will be, as much as possible, expanding the number of beds in the jail. The County is in violation of the law every day that there are more than 332 inmates in the jail. The current average population is 355. This has meant that, from April through September of this year alone, the County was not in violation of the law on just 15 days. And those fifteen days? They were made possible by the early release of individuals – people found guilty of both felonies and misdemeanors – from the jail. The primary cause for overcrowding is that the jail is too small. The County’s jail has 40% fewer beds on a per capita basis than any other county jail in the State of Michigan.

There is a direct impact of this nearly permanent “overcrowded” condition at the jail – an impact that is felt beyond the jail, with a lot of bearing on safety and justice in our community. Persistent overcrowding can: affect the judge who must decide on sentencing or setting bonds; influence the choices made by the police who must decide when and how to enforce laws; affect the social worker in the substance abuse program mandated for a convicted drunk driver who will not comply – simply because he knows the jail is too full to hold him; and it can even shape the decisions made by the person who is thinking of committing a crime.

After nine months of study, the CJCC recommended the following set of solutions:

- Make the necessary improvements to the existing jail, making it safer for inmates, staff and visiting citizens.
- Increase jail capacity to 532 beds, phased in over 10 years.
- Bring more resources to mental health diversion and treatment, the Development and Assessment Center and a local Probation Residential Center, reserving incarceration for violent and repeat offenders.
- Renovate existing building space adjacent to the jail for a new 14A District Court and Offices that will be secure while easily accessible to the public.
- Increase programming for inmates to help reduce recidivism and support positive reintegration into the community.

To address these recommendations, a ballot issue to provide funding for implementing these strategies through increasing property taxes was defeated by the voters. We are facing a lot more hard work in the future. In one specific way I am heartened by the campaign we led – seeing this diverse group of very different interests come together over the past year demonstrates what is possible and how a shared vision can bring people together. The challenges we now face require the same willingness to come together. The vision will continue to be one of excellence.

Cash Management Policies and Practices

Cash balances are invested according to the guidelines adopted by the Board of Commissioners. Investments are generally limited to certificates of deposit and savings accounts, United States government or federal agency obligations, mutual funds, and commercial paper which is rated at the time of purchase within the two highest classifications established by standard rating services. In addition, the pension and postemployment benefits trust funds may also invest in common stock, corporate bonds, and mortgages.

Risk Management

As permitted by State law, the County is self-insured (up to certain limits) for employee medical expenses, workers' compensation, general liability, and property damage. The County has contracts with Blue Cross/Blue Shield, Care Choices and M-Care to administer the County's medical programs for its employees.

The County accounts for revenues and expenses relating to the above in three separate internal service funds: medical insurance revolving, workers' compensation revolving and insurance revolving. The risk management, contingencies and commitments notes to the basic financial statements contain additional information concerning risk management. The Statistical Section of the CAFR includes a complete schedule of insurance coverage maintained by the County.

Pension and Other Postemployment Benefits

The County has four retirement benefit plans that provide pension and postemployment healthcare benefits to all regular, full-time employees. This includes two defined benefit pension plans, a defined contribution pension plan, and a retiree healthcare plan. For the County administered plans, the total net assets held in trust for pension and healthcare benefits increased by approximately \$11.5 million, or 5.2%. The annual actuarial valuations applicable to the defined benefit pension plans continue to reflect favorable funding ratios, despite the market declines.

AWARDS AND ACKNOWLEDGEMENTS

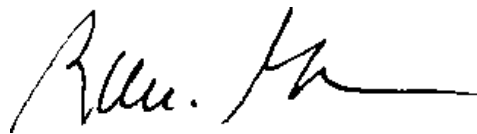
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washtenaw County, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2003. This was the 14th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the County has also received the GFOA's Award for Distinguished Budget Presentation for its budget for the biennium period beginning January 1, 2003. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

The preparation of this report on a timely basis was made possible by the dedicated service of Finance Department accounting staff and the accounting personnel from the Treasurer's Office, Drain Commissioner's Office, Public Works, Road Commission, Community Support and Treatment Services, Public Health and other County departments, as well as advice from Rehmann Robson. I also wish to thank the Board of Commissioners for their continued dedicated interest in the sound financial operations of the County.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Guenzel", followed by a long horizontal flourish.

Robert E. Guenzel
County Administrator/Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washtenaw County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

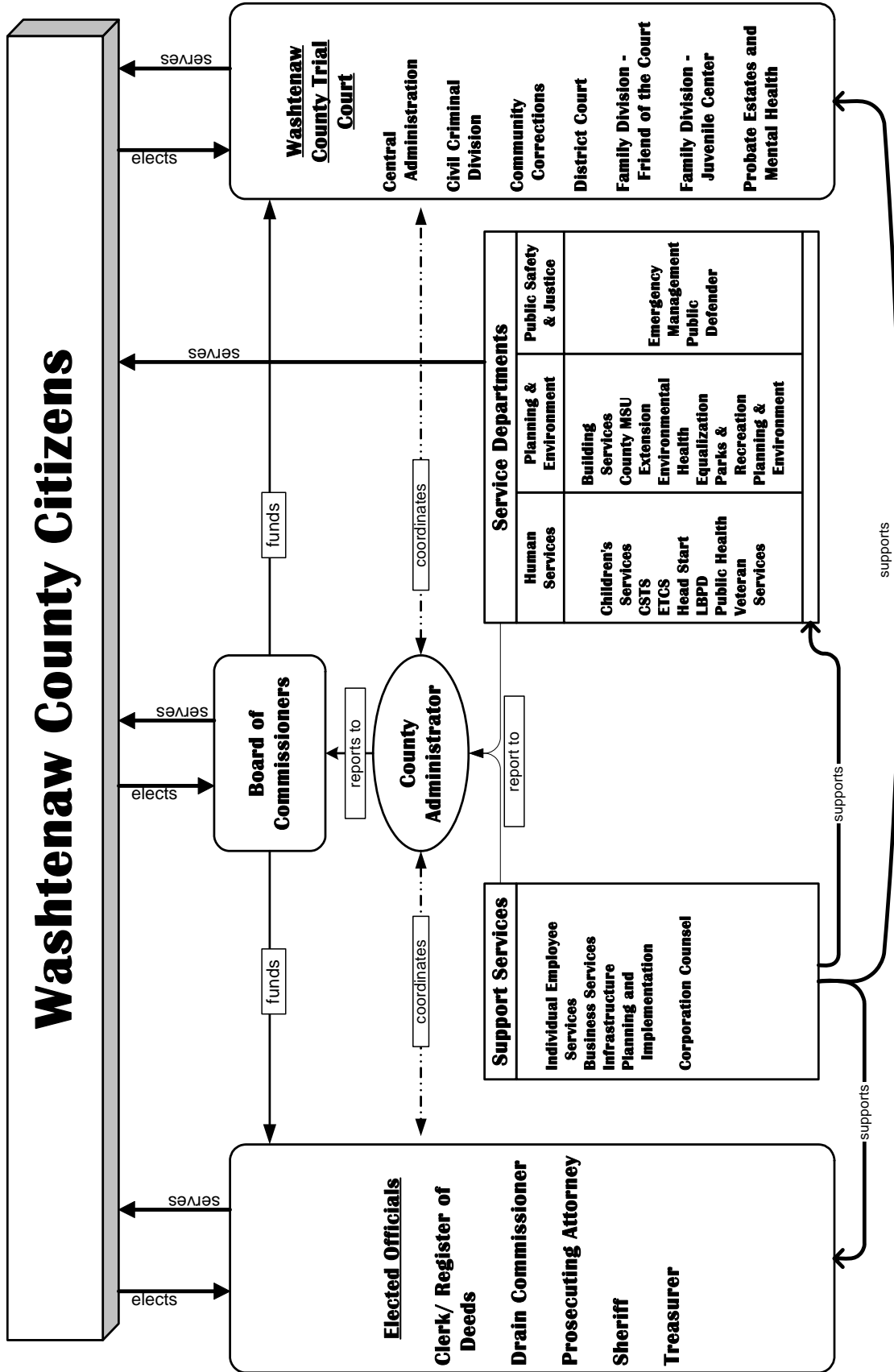


Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director



WASHTENAW COUNTY

PRINCIPAL OFFICIALS

At December 31, 2004

Board of Commissioners

Leah Gunn, Chair

Vivienne N. Armentrout
Barbara Levin Bergman
Robert Brackenbury
Jeff Irwin
Martha Kern

Ronnie Peterson
Wesley Prater
Rolland Sizemore Jr.
Stephen Solowczuk
Joseph J. Yekulis

Trial Court Judges

Archie C. Brown
Richard E. Conlin
Timothy P. Connors
Nancy C. Francis
John N. Kirkendall

Melinda Morris
Donald E. Shelton
J. Cedric Simpson
David S. Swartz
Kirk W. Tabbey

Clerk/Register of Deeds

Peggy M. Haines

Drain Commissioner

Janis A. Bobrin

Prosecuting Attorney

Brian Mackie

Sheriff

Daniel J. Minzey

Treasurer

Catherine McClary

County Administrator

Robert E. Guenzel



Financial Section



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

March 4, 2005

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **WASHTENAW COUNTY, MICHIGAN**, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washtenaw County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Employment Training and Community Services Fund, which represents 10.1% of the assets and 15.7% of the revenues of the nonmajor governmental funds and .4% of the assets and 3.7% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 68.1% of the assets and 86.2% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Washtenaw County, Michigan**, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005, on our consideration of **Washtenaw County, Michigan's** internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-16 and the employees retirement system information on page 72 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based upon our audit and the reports of other auditors, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.



**Management's Discussion
and Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Washtenaw County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–xi of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$138,339,472 (*net assets*). Of this amount, \$61,216,182 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$27,699,426 during 2004.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue, debt service and capital projects funds) reported combined ending fund balances of \$66,901,100, an increase of \$28,659,778 in comparison with the prior year. Of the fund balance amount, \$61,983,675 is *available for spending* at the government's discretion (*unreserved fund balance*).
- The general fund had a surplus of \$442,784 for 2004. At the end of the year, unreserved fund balance for the general fund was \$6,940,364, or approximately 8.1 percent of total general fund expenditures and transfers out. Total fund balance for the general fund was \$7,907,216.
- The County's investment in capital assets increased by \$2,211,891 during 2004.
- The County's total bonded debt, which excludes delinquent tax notes, increased by \$3,085,000 during the current fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole (government-wide financial statements) and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to certain employees.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's *net assets* and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. During 2004, the net assets of the County increased by nearly \$27.7 million.

The Statement of Net Assets and the Statement of Activities, present information about the following:

Governmental activities. All of the County's basic services are considered to be governmental activities, including legislative, judicial, general government, public safety, public works, health, social services, culture and recreation, and other activities. Property taxes, intergovernmental revenue, and charges for services finance most of these activities.

Business-type activities. Other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections and property foreclosures.

Component units. The County includes four legally separate entities in its financial statements: the Washtenaw County Department of Public Works Projects, the Washtenaw County Drain Commissioner, the Washtenaw County Hazardous Material Response Authority and the Washtenaw County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Washtenaw County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17-19 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two primary kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, community support and treatment services, parks and recreation, revenue sharing reserve, building authority and county capital project funds, each of which are considered to be major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20-28 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for support services provided to other departments which includes phone services, fleet, facilities management, insurance, duplicating and copier replacement, mail services and payroll fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations and property foreclosures. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for certain amounts held on behalf of others. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

Additional Information

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-71 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to certain employees. Required supplementary information can be found on page 72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 73-104 of this report.

Financial Analysis of the County as a Whole

The government-wide financial analysis focuses on the net assets and changes in net assets of the County's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by \$138,339,472 at December 31, 2004.

Washtenaw County's Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 128,514,049	\$ 112,983,380	\$ 20,783,627	\$ 19,376,001	\$ 149,297,676	\$ 132,359,381
Capital assets	105,230,002	103,018,110	-	-	105,230,002	103,018,110
Total assets	233,744,051	216,001,490	20,783,627	19,376,001	254,527,678	235,377,491
Long-term liabilities outstanding	49,384,433	45,722,348	11,005,648	9,004,404	60,390,081	54,726,752
Other liabilities	55,635,630	69,922,913	162,495	87,780	55,798,125	70,010,693
Total liabilities	105,020,063	115,645,261	11,168,143	9,092,184	116,188,206	124,737,445
Net assets:						
Invested in capital assets, net of related debt	70,895,205	71,844,722	-	-	70,895,205	71,844,722
Restricted	6,228,085	5,063,594	-	9,000,000	6,228,085	14,063,594
Unrestricted	51,600,698	23,447,913	9,615,484	1,283,817	61,216,182	24,731,730
Total net assets	<u>\$ 128,723,988</u>	<u>\$ 100,356,229</u>	<u>\$ 9,615,484</u>	<u>\$ 10,283,817</u>	<u>\$ 138,339,472</u>	<u>\$ 110,640,046</u>

By far, the largest portion of the County's net assets, \$70,895,205 (51 percent), is its investment in capital assets (i.e., land, buildings, vehicles and equipment), net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$6,228,085 (5 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$61,216,182 (44 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

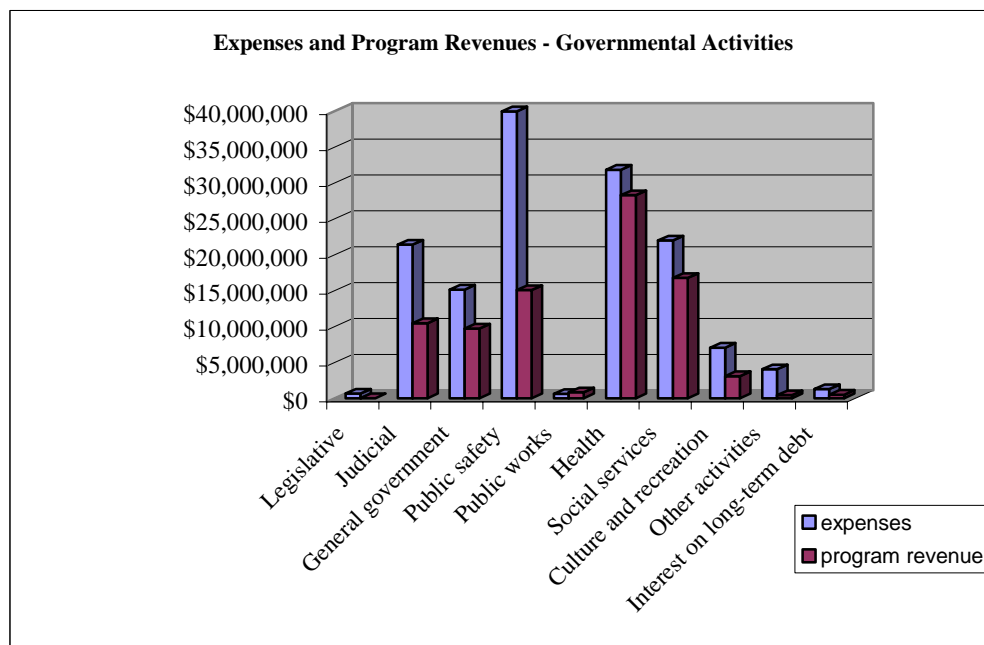
Washtenaw County's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue:						
Program revenue:						
Charges for services	\$ 30,588,395	\$ 28,740,180	\$ 2,683,583	\$ 3,210,913	\$ 33,271,978	\$ 31,951,093
Operating grants and contributions	53,642,415	52,695,000	-	-	53,642,415	52,695,000
Capital grants and contributions	960,689	3,473,175	-	-	960,689	3,473,175
General revenue:						
Property taxes	82,991,160	60,406,712	-	-	82,991,160	60,406,712
Grants and contributions not restricted to specific programs	3,003,251	6,538,510	-	-	3,003,251	6,538,510
Other	1,512,323	1,640,730	(515,993)	(74,699)	996,330	1,566,031
Total revenue	172,698,233	153,494,307	2,167,590	3,136,214	174,865,823	156,630,521
Expenses:						
Legislative	647,373	597,651	-	-	647,373	597,651
Judicial	21,443,309	19,584,218	-	-	21,443,309	19,584,218
General government	15,145,084	16,429,079	-	-	15,145,084	16,429,079
Public safety	42,748,613	40,927,414	-	-	42,748,613	40,927,414
Public works	611,126	2,246,625	-	-	611,126	2,246,625
Health	31,869,261	30,669,892	-	-	31,869,261	30,669,892
Social services	22,006,150	21,672,601	-	-	22,006,150	21,672,601
Culture and recreation	7,064,861	6,634,291	-	-	7,064,861	6,634,291
Other activities	4,036,568	6,088,589	-	-	4,036,568	6,088,589
Interest on long-term debt	1,273,833	1,643,952	-	-	1,273,833	1,643,952
Delinquent tax collections	-	-	430,839	408,644	430,839	408,644
Total expenses	146,846,178	146,494,312	430,839	408,644	147,277,017	146,902,956
Increase in net assets before transfers	25,852,055	6,999,995	1,736,751	2,727,570	27,588,806	9,727,565
Transfers	2,515,704	2,462,465	(2,405,084)	(2,446,194)	110,620	16,271
Increase in net assets	28,367,759	9,462,460	(668,333)	281,376	27,699,426	9,743,836
Net assets - beginning	100,356,229	90,893,769	10,283,817	10,002,441	110,640,046	100,896,210
Net assets - end of year	<u>\$ 128,723,988</u>	<u>\$ 100,356,229</u>	<u>\$ 9,615,484</u>	<u>\$ 10,283,817</u>	<u>\$ 138,339,472</u>	<u>\$ 110,640,046</u>

The County's net assets increased by \$27.7 million during the current fiscal year; \$28.4 million increase for governmental activities and \$0.7 million decrease for business-type activities.

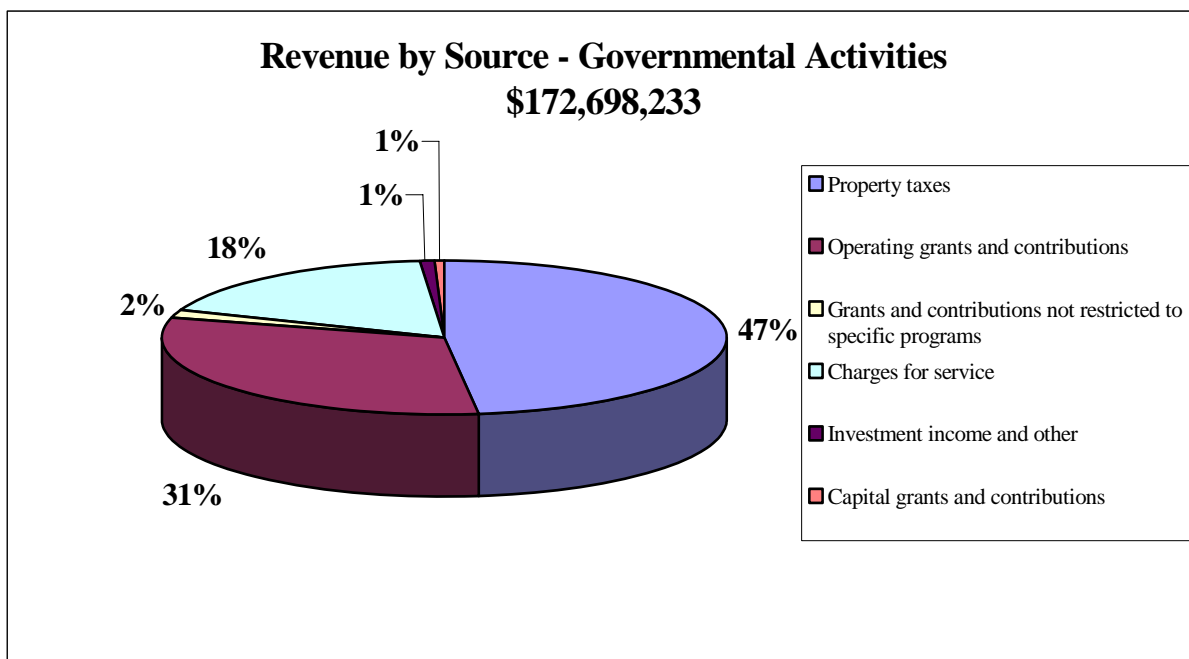
Governmental activities. Governmental activities increased the County's net assets by \$28.4 million, accounting for 100 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Property taxes increased by approximately \$22.6 million (37.4 percent) during the year of which \$19.5 million came about because of accelerated revenue recognition pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2004 property tax levy in the fund. Ultimately, after December 2006, a total of three payments will be placed in the fund to provide a funding mechanism to serve as a substitute for state revenue sharing. The balance of the increase is a result of increased taxable values and residential growth.
- Charges for services increased by approximately \$1.8 million (6.4 percent) during the year because of additional revenue brought in through high volumes of real estate transfers due to new mortgages and refinancing, police service contracts with local jurisdictions, and reimbursements for detention of out-of-county youth.
- Operating grants and contributions for governmental activities increased by \$0.9 million (1.8 percent) during the year. Grant awards furnished additional resources to supplement programs in the areas of judicial, general government, culture and recreation, and health activities.
- Capital grants and contributions decreased by \$2.5 million (72.3 percent) in 2004 due to the completion of two buildings in which one received grant expenditure reimbursements and the other private contributions made toward the cost of construction in 2003.



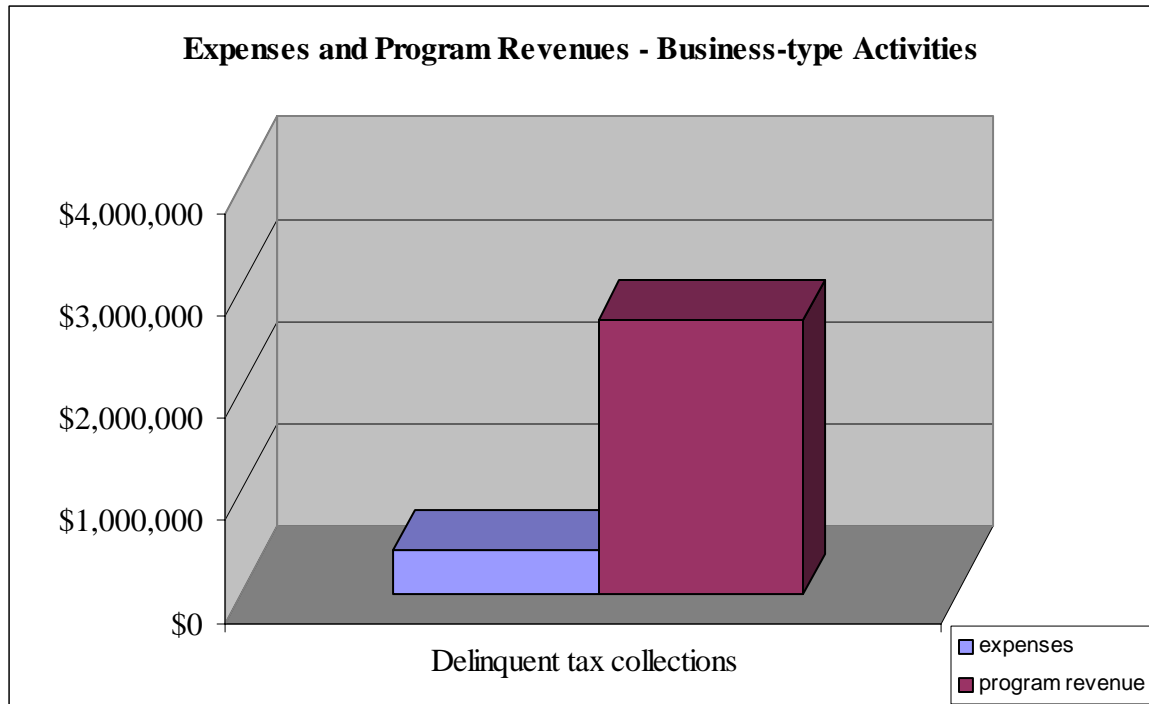
Overall, total expenses for governmental activities increased \$0.4 million during the year. There was a \$5.3 million decrease as a result of reorganizations and restructuring programs around communities of interests and implementing numerous cost saving measures within general government, public works and other activities, as well as a reduction in the amount of interest paid on debt. There was a \$5.7 million increase in all other governmental activities. The functional areas that comprise most of this increase are judicial (\$1.9 million), public safety (\$1.8 million) and health (\$1.2 million) activities.

Costs increased in judicial activities for trial court operations. Costs increased in the Sheriff's operations because of increased staffing levels and additional medical services, food and supplies being needed due to the elevated number of inmates. Costs increased in the health operations because of the County's initiative to provide residents affordable insurance. Other increases closely paralleled inflation and the growth in demand for services.



Business-type activities. Business-type activities decreased the County's net assets by \$0.7 million. Key elements of the current year decrease are as follows:

- Charges for services for business-type activities decreased \$527,330 in comparison to the prior year due to lower delinquent tax and property foreclosure activity during 2004. Expenditures increased by \$22,195 due to salary and fringe benefit expenses for collection activity being allocated to these programs for the first time during 2004.



Financial Analysis of the County's Funds

As noted earlier, Washtenaw County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$66,901,100, an increase of \$28,659,778 in comparison with the prior year. Of the fund balance amount, \$61,983,675 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,940,364, while total fund balance was \$7,907,216. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 8.1 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$442,784 during the current fiscal year. This is primarily attributable to growth in property tax, charges for services and grants and contributions, as previously discussed above, relative to government-wide governmental activities.

The financial position of the community support and treatment services fund improved by \$206,386 during 2004. The prior year fund deficit of \$123,167 was eliminated. This reduction was accomplished through a transfer in accordance with the deficit elimination plan approved by the Board of Commissioners in 1998. Total fund balance at the end of the year is \$83,219.

The parks and recreation fund had a total fund balance of \$14,982,326, which increased by over \$3.3 million in the current year. The growth in fund balance is attributable to a voter-approved millage for the purpose of acquiring land. Fund balance will be used in subsequent years as the land acquisitions are completed.

The revenue sharing reserve fund had a total fund balance of \$15,816,016. This new fund is mandated by the State of Michigan and accounts for accelerated property tax collections to serve as a substitute for state revenue sharing payments. Three annual payments, each equal to 1/3 of the annual property tax levy, must be placed in the fund over the next three years. Beginning in late 2004 and continuing until the fund balance is exhausted, the County will be able to draw monies from this fund equal to fiscal 2004 state revenue sharing payments adjusted for inflation.

The building authority capital projects fund has a total fund balance of \$2,636,063, which increased by \$432,724 during the year. The increase is attributable to the bond issuance contributions for building construction projects. The remaining funds will be used for improvement, expansion or replacement of existing facilities, which will take place in subsequent years.

The county capital projects fund has a total fund balance of \$19,845,828, all of which will be used for the remodeling and modification of existing facilities. In addition, improvements to existing facilities such as replacement of roof systems, carpeting, and other interior finishes are also included. The net increase in fund balance during the current year in the county capital projects fund was \$6,032,985.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, other enterprise and internal service funds at the end of the year amounted to \$8,328,339, \$1,287,145 and \$1,797,406, respectively. The delinquent tax fund had a decrease in net assets for the year of \$810,697, whereas the other enterprise funds had an increase of \$142,364 and the internal service funds had an increase of \$1,093,805. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

General fund revenues (including transfers in) increased by \$1,912,642 from the original to the final budget. This was primarily attributable to an increase in the budget amount of \$1.6 million for real estate transfer revenues resulting from significantly higher volumes of transactions spurred in part by low interest rates for mortgages, and because of the changed nature of documents processed. There has been an increase in one of the types of documents that has more pages, and the cost is per page, therefore resulting in higher revenue. There were also miscellaneous increases in court costs, fees, and services. An intergovernmental budget decrease in the amount of \$3.5 million was due to new legislation, as discussed previously, regarding the state revenue sharing budget amount being reduced by \$3,690,840 and offset by an increase of the same amount for a transfer in from the revenue sharing reserve fund. In addition, there was an increase in the amount of \$209,733 for local contributions to the Washtenaw Health Plan program. Various other small increases and decreases in budgeted revenues took place also.

There was a corresponding \$1,912,642 increase (2.3%) between the original and final amended expenditure budget (including transfers out). There was a \$1.4 million increase for public safety activities, primarily due to personnel services for additional positions and overtime, and food and medical contracts because the jail population has been over capacity. There was \$894,246 in allocated increases in general government activities, including: information technology services increases for reallocating staff between departments, clerk/register of deeds increases for personnel services for temporary positions and overtime, human resources for advertising position vacancies and professional development, and treasurer department increases for pay performance, which is budgeted globally; at year end personnel budgets are adjusted throughout each department to cover this, and not reallocating a portion of personnel costs for delinquent tax activities as originally planned. It should be noted, that general government activities involving planning, environment and drain commissioner operations have been improved through technology enhancements and resulted in a decreased allocation in the amount of \$0.5 million. Various other small increases and decreases in budgeted expenditures also took place.

There was a net increase of \$473,604 in other unallocated expenditures and transfers out. The major reason for this was that some transfers out were not executed during 2004. It should also be noted, that other unallocated expenditures were designated as transfers out in the original budget, then reclassified later in the year as other services and charges, and have final budget amounts in that category, but no original budget amounts.

Overall during the year, actual general fund revenues and expenditures, including other financing sources and uses, were more than the final budget. Actual revenues were higher than actual expenditures. This resulted in an increase in the actual fund balance of \$442,784, which was more than the final amended budget amount by \$192,784.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2004, amounted to \$105,230,002 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 2.1 percent. The County's business-type activities have no capital assets.

Major capital asset events during the current fiscal year included the following:

- Construction in progress in the amount of \$2.2 million. The County has active construction projects that include the Washtenaw County Space Plan Capital Improvement for architect, design services, and energy improvements to various buildings and a border-to-border trail development under the culture and recreation activity.
- New land purchases in the amount of \$2.3 million under the Natural Areas Preservation Program.
- Various buildings and building additions/improvements (\$1.6 million), and new vehicles and equipment (\$1.5 million).

Washtenaw County's Capital Assets
(net of depreciation)

	Governmental activities	
	<u>2004</u>	<u>2003</u>
Land	\$ 14,602,684	\$ 12,267,428
Construction in progress	2,183,486	-
Buildings	74,442,185	76,213,465
Improvements other than buildings	7,575,825	7,744,610
Machinery and equipment	<u>6,425,822</u>	<u>6,792,607</u>
Total	<u><u>\$ 105,230,002</u></u>	<u><u>\$ 103,018,110</u></u>

Additional information on the County's capital assets can be found in note III.C on pages 50-53 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$49,120,000. This entire amount comprises debt backed by the full faith and credit of the County.

Washtenaw County's Outstanding Debt
General Obligation

	Governmental activities		Business-type activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 38,120,000	\$ 35,035,000	\$ -	\$ -	\$ 38,120,000	\$ 35,035,000
Delinquent tax notes	-	-	11,000,000	9,000,000	11,000,000	9,000,000
Total	<u>\$ 38,120,000</u>	<u>\$ 35,035,000</u>	<u>\$ 11,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 49,120,000</u>	<u>\$ 44,035,000</u>

The County's total debt increased by \$5,085,000 (11.6 percent) during the current fiscal year. The County retired debt of \$11,115,000 in general obligation bonds and \$9,000,000 in delinquent tax notes during 2004.

The only new borrowing during the year was \$14,200,000 in general obligation bonds for governmental activities for the County's space plan projects and \$11,000,000 in delinquent tax notes for business-type activities. Debt service requirements for general obligation bonds of \$3,200,000 and interest of \$1,366,562 are payable during 2005. The principal payment for delinquent tax notes of \$11,000,000 and an interest payment of \$210,375 is due March 3, 2005.

The County has an "Aa2" rating for both general obligation bonds and tax notes from Moody's. The County has an "AA" rating for both general obligation bonds and tax notes from Standard & Poor's. Finally, the County has a "Prime-1" rating for general obligation tax notes from Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$1,631,498,572, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.G on pages 56-62 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's biennial budget for the 2004 and 2005 fiscal years:

- The County's commitment for 3% annual increase in salaries and the ongoing increases in fringe benefit rates attribute to rising personnel costs.
- The economic downturn and stock market decline have impacted fiscal operations. Stock market declines have increased the County's funding obligation for its defined benefit pension plans. This trend will continue into the foreseeable future.
- Insurance premiums, especially for governmental entities, have dramatically increased due to the extensive settlement payments related to September 11th and the subsequent stock market performance. The County has seen an 81% increase in liability costs over the past three years. A related increase is a national trend in escalating healthcare insurance costs. Many national projections point to a doubling of health care costs over the next four to five years.
- The unemployment rate for the County is currently 3.2%, which is a nominal increase from a rate of 3.1% a year ago. This compares favorably to the state's average unemployment rate of 6.8% and the national average rate of 5.5%.
- Michigan has two constitutional laws that limit property tax growth to the rate of inflation or a maximum allowable increase in an assessment of 5.0%, whichever is smaller. For the 2004/2005 budget the applicable inflation rate is only 1.5%. Therefore, property tax revenues are budgeted to increase 5.7% in 2005 due to new construction being added to the tax rolls and transfers of ownership.
- The State of Michigan has been dealing with projected budgetary shortfalls for the past two years and is projected to continue into the future, at least until 2008. The State has passed legislation that provides a funding mechanism to serve as a substitute for state revenue sharing payments. Annually, the County may make use of amounts equal to 2003/04 State revenue sharing payments adjusted for inflation.
- The County has committed to maintaining a general fund balance that is at least 8.0% of operating expenditures.
- Inflationary trends in the region compare favorably to national indices.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Washtenaw County Finance Department, 220 North Main Street, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.



Basic Financial Statements



Government-wide Financial Statements

WASHTENAW COUNTY
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 49,513,298	\$ 12,633,172	\$ 62,146,470	\$ 22,515,989
Receivables, net	77,568,781	8,150,455	85,719,236	51,637,218
Prepaid items and other assets	1,431,970	-	1,431,970	1,432,693
Capital assets not being depreciated	16,786,170	-	16,786,170	17,378,669
Capital assets being depreciated, net	88,443,832	-	88,443,832	153,952,161
Total assets	233,744,051	20,783,627	254,527,678	246,916,730
Liabilities				
Accounts payable and accrued expenses	6,203,580	1,111	6,204,691	11,888,813
Accrued interest payable	336,019	161,384	497,403	411,858
Unearned revenue	49,096,031	-	49,096,031	-
Long-term liabilities:				
Due within one year	4,617,015	11,000,269	15,617,284	5,707,357
Due in more than one year	44,767,418	5,379	44,772,797	50,709,137
Total liabilities	105,020,063	11,168,143	116,188,206	68,717,165
Net assets				
Invested in capital assets, net of related debt	70,895,205	-	70,895,205	160,569,500
Restricted for:				
Debt service	12,976	-	12,976	1,757,477
Capital projects	5,647,638	-	5,647,638	6,383,003
Other purposes	567,471	-	567,471	-
Unrestricted	51,600,698	9,615,484	61,216,182	9,489,585
Total net assets	\$ 128,723,988	\$ 9,615,484	\$ 138,339,472	\$ 178,199,565

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Activities
Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 647,373	\$ -	\$ -	\$ -	\$ (647,373)
Judicial	21,443,309	3,613,380	6,838,598	-	(10,991,331)
General government	14,957,915	6,992,302	2,599,082	141,225	(5,225,306)
Public safety	42,748,613	12,141,274	2,950,167	-	(27,657,172)
Public works	611,126	169,811	470,762	192,728	222,175
Health	31,869,261	3,504,205	24,799,462	-	(3,565,594)
Social services	22,006,150	1,195,278	14,953,541	626,736	(5,230,595)
Culture and recreation	7,064,861	2,823,269	265,737	-	(3,975,855)
Other activities	4,223,737	148,876	277,366	-	(3,797,495)
Interest on long-term debt	1,273,833	-	487,700	-	(786,133)
Total governmental activities	146,846,178	30,588,395	53,642,415	960,689	(61,654,679)
Business-type activities:					
Delinquent tax collection	241,083	2,398,603	-	-	2,157,520
Property foreclosure	189,756	284,980	-	-	95,224
Total business-type activities	430,839	2,683,583	-	-	2,252,744
Total primary government	\$ 147,277,017	\$ 33,271,978	\$ 53,642,415	\$ 960,689	\$ (59,401,935)
Component units					
Department of Public Works Projects	\$ 3,815,209	\$ -	\$ -	\$ 2,616,330	\$ (1,198,879)
Drain Commissioner	1,292,600	158,153	-	2,373,484	1,239,037
Hazardous Materials Response Authority	44,598	34,969	21,690	-	12,061
Road Commission	16,104,601	-	34,618,050	-	18,513,449
Total component units	\$ 21,257,008	\$ 193,122	\$ 34,639,740	\$ 4,989,814	\$ 18,565,668

Continued...

WASHTENAW COUNTY
Statement of Activities (concluded)
Year Ended December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets				
Net (expense) revenue	\$ (61,654,679)	\$ 2,252,744	\$ (59,401,935)	\$ 18,565,668
General revenues:				
Property taxes	82,991,160	-	82,991,160	-
Grants and contributions not restricted to specific programs	3,003,251	-	3,003,251	-
Unrestricted investment earnings	1,512,323	(515,993)	996,330	530,126
Gain on sale of capital assets	-	-	-	15,455
Transfers - internal activities	2,515,704	(2,405,084)	110,620	-
Total general revenues and transfers	90,022,438	(2,921,077)	87,101,361	545,581
Change in net assets	28,367,759	(668,333)	27,699,426	19,111,249
Net assets, beginning of year, restated	100,356,229	10,283,817	110,640,046	159,088,316
Net assets, end of year	\$ 128,723,988	\$ 9,615,484	\$ 138,339,472	\$ 178,199,565

The accompanying notes are an integral part of these financial statements.



Fund Financial Statements

WASHTENAW COUNTY
Balance Sheet - Governmental Funds
December 31, 2004

	<u>General</u>	<u>Community Support & Treatment Services</u>	<u>Parks and Recreation</u>	<u>Revenue Sharing Reserve</u>	<u>Building Authority Capital Projects</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>								
Assets								
Cash and pooled investments	\$ 10,923,378	\$ -	\$ 15,858,032	\$ -	\$ 2,666,054	\$ 13,231,700	\$ 3,567,015	\$ 46,246,179
Receivables:								
Taxes - current	34,108,318	-	8,405,640	19,506,856	-	-	-	62,020,814
Taxes - delinquent	404,309	-	-	-	-	-	-	404,309
Accounts	4,303	421,561	-	-	-	-	649,534	1,075,398
Interfund receivable	-	-	-	-	-	5,703,779	-	5,703,779
Due from other governments	2,525,449	536,103	-	-	-	7,811	4,892,109	7,961,472
Notes receivable	-	-	-	-	-	-	334,807	334,807
Advances to other funds	966,852	-	-	-	-	913,381	-	1,880,233
Prepaid items	-	-	-	-	-	-	25,617	25,617
<u>TOTAL ASSETS</u>	<u>\$ 48,932,609</u>	<u>\$ 957,664</u>	<u>\$ 24,263,672</u>	<u>\$ 19,506,856</u>	<u>\$ 2,666,054</u>	<u>\$ 19,856,671</u>	<u>\$ 9,469,082</u>	<u>\$ 125,652,608</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities								
Accounts payable	\$ 139,817	\$ 119,541	\$ 28,487	\$ -	\$ 29,991	\$ 1,500	\$ 493,201	\$ 812,537
Accrued liabilities	1,467,554	497,709	78,164	-	-	9,343	831,895	2,884,665
Due to other governments	-	-	-	-	-	-	309,041	309,041
Interfund payable	-	257,195	-	3,690,840	-	-	1,755,744	5,703,779
Deferred revenue	39,418,022	-	9,174,695	-	-	-	365,569	48,958,286
Advances from other governments	-	-	-	-	-	-	83,200	83,200
Total liabilities	<u>41,025,393</u>	<u>874,445</u>	<u>9,281,346</u>	<u>3,690,840</u>	<u>29,991</u>	<u>10,843</u>	<u>3,838,650</u>	<u>58,751,508</u>
Fund balances								
Reserved:								
Reserved for land acquisition	-	-	3,011,575	-	-	-	-	3,011,575
Reserved for long-term advances	966,852	-	-	-	-	913,381	-	1,880,233
Reserved for prepaid items	-	-	-	-	-	-	25,617	25,617
Unreserved:								
Designated for subsequent year's expenditures	-	-	2,650,185	-	-	-	-	2,650,185
Designated for subsequent year's expenditures, reported in nonmajor special revenue funds	-	-	-	-	-	-	68,164	68,164
Undesignated	6,940,364	83,219	9,320,566	15,816,016	2,636,063	18,932,447	-	53,728,675
Undesignated, reported in nonmajor:								
Special revenue funds	-	-	-	-	-	-	5,523,675	5,523,675
Debt service funds	-	-	-	-	-	-	12,976	12,976
Total fund balances	<u>7,907,216</u>	<u>83,219</u>	<u>14,982,326</u>	<u>15,816,016</u>	<u>2,636,063</u>	<u>19,845,828</u>	<u>5,630,432</u>	<u>66,901,100</u>
<u>LIABILITIES AND FUND BALANCES</u>	<u>\$ 48,932,609</u>	<u>\$ 957,664</u>	<u>\$ 24,263,672</u>	<u>\$ 19,506,856</u>	<u>\$ 2,666,054</u>	<u>\$ 19,856,671</u>	<u>\$ 9,469,082</u>	<u>\$ 125,652,608</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2004

Fund balances - total governmental funds	\$ 66,901,100
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	138,124,342
Deduct - accumulated depreciation	(35,596,860)

Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds.	3,898,633
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Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)

Add - bond discounts	45,000
Deduct - bond premiums	(195,017)

Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets.	407,693
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Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	612,092
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Internal service funds are used by management to charge the costs of certain activities such as insurance, worker's compensation, and building occupancy and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	4,499,926
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and notes payable	(38,549,005)
Deduct - accrued interest on bonds payable	(332,551)
Deduct - accrued compensated absences and other long-term liabilities	<u>(11,091,365)</u>

Net assets of governmental activities	<u><u>\$ 128,723,988</u></u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2004

	General	Community Support & Treatment Services	Parks and Recreation	Revenue Sharing Reserve	Building Authority Capital Projects	County Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 54,883,846	\$ -	\$ 8,600,458	\$ 19,506,856	\$ -	\$ -	\$ -	\$ 82,991,160
Licenses and permits	171,524	-	-	-	-	-	3,410,542	3,582,066
Intergovernmental	7,758,214	16,691,830	200,000	-	195,571	918	28,596,306	53,442,839
Charges for services	16,165,713	192,498	2,819,682	-	-	846,880	3,940,097	23,964,870
Fines and forfeits	1,226,872	-	-	-	-	-	619,309	1,846,181
Contributions	-	-	-	-	431,165	-	-	431,165
Investment income	544,005	-	393,629	-	61,617	307,606	74,107	1,380,964
Other	941,153	537,420	10,744	-	-	229,083	3,438,483	5,156,883
Total revenues	81,691,327	17,421,748	12,024,513	19,506,856	688,353	1,384,487	40,078,844	172,796,128
Expenditures								
Current:								
Legislative	639,574	-	-	-	-	-	-	639,574
Judicial	14,235,820	-	-	-	-	-	6,179,106	20,414,926
General government	9,619,781	-	-	-	-	-	2,031,808	11,651,589
Public safety	36,535,457	-	-	-	-	-	5,064,564	41,600,021
Public works	-	-	-	-	-	-	613,201	613,201
Health	-	17,496,360	-	-	-	-	13,990,136	31,486,496
Social services	1,178,913	-	-	-	-	-	21,233,981	22,412,894
Culture and recreation	820,124	-	8,648,158	-	-	-	766,648	10,234,930
Other	4,223,737	-	-	-	-	-	-	4,223,737
Capital outlay	-	-	-	-	155,371	4,950,453	-	5,105,824
Debt service:								
Principal	-	-	-	-	-	-	3,475,000	3,475,000
Interest and fiscal charges	-	-	-	-	-	-	1,309,370	1,309,370
Bond issuance costs	-	-	-	-	-	137,989	156,522	294,511
Total expenditures	67,253,406	17,496,360	8,648,158	-	155,371	5,088,442	54,820,336	153,462,073
Revenues over (under) expenditures	14,437,921	(74,612)	3,376,355	19,506,856	532,982	(3,703,955)	(14,741,492)	19,334,055
Other financing sources (uses)								
Proceeds of bonds	-	-	-	-	-	6,365,000	-	6,365,000
Proceeds of refunding bonds	-	-	-	-	-	-	7,835,000	7,835,000
Premium on refunding bonds	-	-	-	-	-	-	79,167	79,167
Payment to refunding escrow agent	-	-	-	-	(100,257)	-	(7,757,646)	(7,857,903)
Transfers in	4,620,356	280,998	-	-	1,762,234	6,996,141	25,953,530	39,613,259
Transfers out	(18,615,493)	-	-	(3,690,840)	(1,762,235)	(3,624,201)	(9,016,031)	(36,708,800)
Total other sources (uses)	(13,995,137)	280,998	-	(3,690,840)	(100,258)	9,736,940	17,094,020	9,325,723
Net change in fund balances	442,784	206,386	3,376,355	15,816,016	432,724	6,032,985	2,352,528	28,659,778
Fund balances (deficit):								
Beginning of year	7,464,432	(123,167)	11,605,971	-	2,203,339	13,812,843	3,277,904	38,241,322
End of year	\$ 7,907,216	\$ 83,219	\$ 14,982,326	\$ 15,816,016	\$ 2,636,063	\$ 19,845,828	\$ 5,630,432	\$ 66,901,100

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ 28,659,778

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	6,757,901
Deduct - depreciation expense	(4,293,912)
Deduct - loss on disposal of capital assets	(350,949)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	(229,254)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - bond and note proceeds	(6,365,000)
Deduct - refunding bond and note proceeds	(7,835,000)
Add - payment to refunding bond escrow agent	7,857,903
Add - bond issuance costs	294,511
Deduct - premium on bonds	(79,167)
Add - principal payments on long-term liabilities	3,475,000
Add - principal payments on capital lease	209,447

Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, premiums and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for purposes of net assets:

Accrued interest expense	147,340
Amortization of bond issuance costs	(34,717)
Amortization of discount on bonds	(2,500)
Amortization of premium on bonds	21,669
Amortization of deferred loss on refunding	(68,010)

Internal service funds are used by management to charge the costs of certain activities such as insurance, workers' compensation, and building occupancy and maintenance to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	1,393,258
Add - interest revenue from governmental internal service funds	131,359
Add - net loss on disposal of capital assets in governmental internal service funds	(13,812)
Deduct - interest expense and fiscal charges from governmental internal service funds	(28,245)
Deduct - net transfer from governmental internal service fund to debt service fund	(388,755)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrual for accrued compensated absences	(891,086)
---	-----------

Change in net assets of governmental activities	\$ 28,367,759
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended December 31, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 55,067,493	\$ 55,067,493	\$ 54,883,846	\$ (183,647)
Licenses and permits	123,200	123,200	171,524	48,324
Intergovernmental	10,701,412	7,228,405	7,758,214	529,809
Charges for services	14,809,896	16,363,434	16,165,713	(197,721)
Fines and forfeits	1,162,100	1,162,100	1,226,872	64,772
Investment income	1,004,400	1,004,400	544,005	(460,395)
Other	836,084	977,355	941,153	(36,202)
Total revenues	83,704,585	81,926,387	81,691,327	(235,060)
Expenditures				
Legislative -				
Board of commissioners	686,617	662,617	639,574	23,043
Judicial:				
Circuit court	3,986,336	4,166,188	4,130,336	35,852
District court	3,810,573	3,936,177	3,935,989	188
Probate court	845,872	878,872	878,090	782
Probate court - juvenile	2,957,678	2,810,153	2,778,367	31,786
Probation department	147,333	147,333	124,544	22,789
Public defender	2,401,274	2,401,274	2,388,494	12,780
Total judicial	14,149,066	14,339,997	14,235,820	104,177
General government:				
Information technology	5,420,739	5,698,037	5,615,832	82,205
Building authority	8,090	8,090	7,665	425
Clerk / Register	4,285,710	4,538,556	4,530,601	7,955
Human resources	1,535,293	1,730,281	1,722,915	7,366
Drain commissioner	2,194,679	1,999,679	1,991,676	8,003
Equalization	1,367,879	1,320,879	1,292,416	28,463
Planning	1,622,777	1,427,970	1,425,251	2,719
Finance	2,761,974	2,744,974	2,728,704	16,270
Corporation counsel	252,151	260,151	259,951	200
Treasurer	1,233,138	1,336,374	1,315,847	20,527
Administrator	678,150	748,150	745,008	3,142
Allocated to other departments	(12,595,830)	(12,149,145)	(12,016,085)	(133,060)
Total general government	8,764,750	9,663,996	9,619,781	44,215

Continued...

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
Year Ended December 31, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Public safety:				
Emergency management	\$ 673,958	\$ 412,256	\$ 406,444	\$ 5,812
Sheriff	29,849,149	31,453,841	31,429,024	24,817
Prosecuting attorney	4,640,064	4,700,064	4,699,989	75
Total public safety	35,163,171	36,566,161	36,535,457	30,704
Social Services:				
Children's services	632,627	602,627	584,515	18,112
Veterans counselor	583,972	594,972	594,398	574
Total social services	1,216,599	1,197,599	1,178,913	18,686
Culture - county extension	901,233	842,312	820,124	22,188
Other unallocated expenditures	3,347,240	4,453,750	4,223,737	230,013
Total expenditures	64,228,676	67,726,432	67,253,406	473,026
Revenues over expenditures	19,475,909	14,199,955	14,437,921	237,966
Other financing sources (uses)				
Transfers in	903,054	4,593,894	4,620,356	26,462
Transfers out	(20,128,963)	(18,543,849)	(18,615,493)	(71,644)
Total other sources (uses)	(19,225,909)	(13,949,955)	(13,995,137)	(45,182)
Net change in fund balance	250,000	250,000	442,784	192,784
Fund balance, beginning of year	7,464,432	7,464,432	7,464,432	-
Fund balance, end of year	\$ 7,714,432	\$ 7,714,432	\$ 7,907,216	\$ 192,784

The accompanying notes are an integral part of these financial statements:

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Support & Treatment Services
Special Revenue Fund
Year Ended September 30, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 16,422,920	\$ 15,951,019	\$ 16,691,830	\$ 740,811
Charges for services	362,805	362,805	192,498	(170,307)
Other	420,157	514,379	537,420	23,041
Total revenues	17,205,882	16,828,203	17,421,748	593,545
Expenditures				
Health	17,239,724	17,066,189	17,496,360	(430,171)
Revenues over (under) expenditures	(33,842)	(237,986)	(74,612)	163,374
Other financing sources				
Transfers in	293,842	367,986	280,998	(86,988)
Net change in fund balance	260,000	130,000	206,386	76,386
Fund deficit, beginning of year	(123,167)	(123,167)	(123,167)	-
Fund balance, end of year	\$ 136,833	\$ 6,833	\$ 83,219	\$ 76,386

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
Year Ended December 31, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 8,630,876	\$ 8,630,876	\$ 8,600,458	\$ (30,418)
Intergovernmental	525,000	1,275,000	200,000	(1,075,000)
Charges for services	2,824,000	2,824,000	2,819,682	(4,318)
Investment income	225,000	225,000	393,629	168,629
Other	1,000	4,000	10,744	6,744
Total revenues	12,205,876	12,958,876	12,024,513	(934,363)
Expenditures				
Culture and recreation	14,635,164	17,938,164	8,648,158	9,290,006
Net change in fund balance	(2,429,288)	(4,979,288)	3,376,355	8,355,643
Fund balance, beginning of year	11,605,971	11,605,971	11,605,971	-
Fund balance, end of year	\$ 9,176,683	\$ 6,626,683	\$ 14,982,326	\$ 8,355,643

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Revenue Sharing Reserve Fund
Year Ended December 31, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ 19,506,856	\$ 19,506,856	\$ -
Other financing uses				
Transfers out	-	(3,690,840)	(3,690,840)	-
Net change in fund balance	-	15,816,016	15,816,016	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 15,816,016	\$ 15,816,016	\$ -

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 11,339,538	\$ 1,293,634	\$ 12,633,172	\$ 3,267,119
Receivables:				
Delinquent taxes	6,664,652	-	6,664,652	-
Interest and collection fees	1,403,733	-	1,403,733	-
Accounts	-	-	-	518,638
Interfund receivable	-	270	270	88,023
Due from other governments	-	270	270	1,354,710
Due from component units	81,800	-	81,800	-
Inventories	-	-	-	86,163
Prepaid items	-	-	-	912,497
Total current assets	19,489,723	1,294,174	20,783,897	6,227,150
Noncurrent assets -				
Capital assets, net	-	-	-	2,702,520
Total assets	19,489,723	1,294,174	20,783,897	8,929,670
Liabilities				
Current liabilities:				
Accounts payable	-	-	-	240,741
Accrued liabilities	-	1,111	1,111	1,873,396
Interfund payable	-	270	270	88,023
Interest payable	161,384	-	161,384	3,468
General obligation notes payable	11,000,000	-	11,000,000	-
Total current liabilities	11,161,384	1,381	11,162,765	2,205,628
Long-term liabilities:				
Accrued compensated absences	-	5,648	5,648	206,138
Deferred revenue	-	-	-	137,745
Advances from other funds	-	-	-	1,880,233
Total long-term liabilities	-	5,648	5,648	2,224,116
Total liabilities	11,161,384	7,029	11,168,413	4,429,744
Net assets				
Invested in capital assets, net of related debt	-	-	-	2,702,520
Unrestricted	8,328,339	1,287,145	9,615,484	1,797,406
	<u>\$ 8,328,339</u>	<u>\$ 1,287,145</u>	<u>\$ 9,615,484</u>	<u>\$ 4,499,926</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ 80	\$ 284,980	\$ 285,060	\$ 28,747,827
Intergovernmental revenue	-	11,391	11,391	-
Investment income	1,526,595	16,123	1,542,718	-
Collection fees on taxes	855,805	-	855,805	-
Total operating revenues	2,382,480	312,494	2,694,974	28,747,827
Operating expenses				
Personnel services	-	79,198	79,198	2,798,807
Contractual services	49,378	67,985	117,363	865,645
Supplies	-	18,835	18,835	1,309,209
Occupancy	-	-	-	2,359,032
Telephone	-	235	235	570,622
Equipment repair and rental	-	2,803	2,803	704,941
Building repair and rental	-	-	-	348,555
Benefits and insurance premiums	-	-	-	16,663,236
Other	-	32,091	32,091	1,006,838
Depreciation	-	-	-	727,684
Total operating expenses	49,378	201,147	250,525	27,354,569
Operating income	2,333,102	111,347	2,444,449	1,393,258
Non-operating income (expense)				
Investment earnings (loss)	(547,010)	31,017	(515,993)	131,359
Interest expense and fiscal charges	(191,705)	-	(191,705)	(28,245)
Loss on disposal of equipment	-	-	-	(13,812)
Total non-operating income (expense)	(738,715)	31,017	(707,698)	89,302
Income before transfers	1,594,387	142,364	1,736,751	1,482,560
Transfers in	-	-	-	716,115
Transfers out	(2,405,084)	-	(2,405,084)	(1,104,870)
Change in net assets	(810,697)	142,364	(668,333)	1,093,805
Net assets, beginning of year	9,139,036	1,144,781	10,283,817	3,406,121
Net assets, end of year	<u>\$ 8,328,339</u>	<u>\$ 1,287,145</u>	<u>\$ 9,615,484</u>	<u>\$ 4,499,926</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from customers	\$ 3,176,087	\$ 312,224	\$ 3,488,311	\$ 1,286,240
Cash received from interfund services	-	-	-	30,174,884
Cash payments to employees	-	(79,616)	(79,616)	(3,023,617)
Cash payments to suppliers	26,999	(121,949)	(94,950)	(23,701,983)
Cash payments for interfund services	(122,800)	-	(122,800)	(3,004,330)
Net cash provided by operating activities	3,080,286	110,659	3,190,945	1,731,194
Cash flows from noncapital financing activities				
Transfers in	-	-	-	716,115
Transfers out	(2,405,084)	-	(2,405,084)	(1,104,870)
Proceeds from issuing long term debt	11,000,000	-	11,000,000	-
Principal paid on long term debt	(9,000,000)	-	(9,000,000)	-
Interest paid on long term debt	(191,705)	-	(191,705)	-
Net cash used by noncapital financing activities	(596,789)	-	(596,789)	(388,755)
Cash flows from capital and related financing activities				
Advances from other funds	-	-	-	749,726
Interest paid on capital lease obligations	-	-	-	(4,270)
Proceeds from sale of equipment	-	-	-	83,588
Payments for equipment acquisitions	-	-	-	(923,938)
Net cash used by capital and related financing activities	-	-	-	(94,894)
Cash flows from investing activities				
Investment earnings (loss)	(547,010)	31,017	(515,993)	107,384
Net increase(decrease) in cash and cash equivalents	1,936,487	141,676	2,078,163	1,354,929
Cash and cash equivalents, beginning of year	9,403,051	1,151,958	10,555,009	1,912,190
Cash and cash equivalents, end of year	<u>\$ 11,339,538</u>	<u>\$ 1,293,634</u>	<u>\$ 12,633,172</u>	<u>\$ 3,267,119</u>

Continued...

WASHTENAW COUNTY
Statement of Cash Flows (concluded)
Proprietary Funds
Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 2,333,102	\$ 111,347	\$ 2,444,449	\$ 1,393,258
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	-	-	727,684
Changes in assets and liabilities:				
Receivables	793,607	-	793,607	245,310
Due from other funds	150	-	150	2,306,867
Interfund receivable	-	(270)	(270)	(88,023)
Due from other governments	(81,800)	(270)	(82,070)	557,395
Inventories	-	-	-	26,529
Prepaid items	-	-	-	152,467
Accounts payable	76,377	-	76,377	133,073
Accrued liabilities	-	(418)	(418)	(266,005)
Interfund payable	-	270	270	88,023
Due to other funds	(41,150)	-	(41,150)	(2,874,251)
Deferred revenue	-	-	-	(671,133)
Net cash provided by operating activities	<u>\$ 3,080,286</u>	<u>\$ 110,659</u>	<u>\$ 3,190,945</u>	<u>\$ 1,731,194</u>

The accompanying notes are an integral part of these financial statements

WASHTENAW COUNTY
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	Pension and Other Employee Benefit Trust Funds	Agency Fund
Assets		
Cash and pooled investments	\$ 717,388	\$ 19,102,003
Investments, at fair value:		
Common stocks	120,680,764	-
Mortgages and asset backed securities	1,308,264	
United States treasury strips	8,829,647	-
Other United States treasury securities	1,385,547	-
Other United States government securities	25,824,585	-
Corporate bonds and notes	15,887,778	-
Mutual funds	46,700,170	
Short-term investments	10,446,145	-
Accrued interest and dividends	501,194	-
	<hr/>	<hr/>
Total assets	232,281,482	\$ 19,102,003
	<hr/>	<hr/>
Liabilities		
Accounts payable	104,590	\$ -
Accrued liabilities	403,793	-
Undistributed receipts	-	19,102,003
	<hr/>	<hr/>
Total liabilities	508,383	\$ 19,102,003
	<hr/>	<hr/>
Net assets		
Held in trust for pension and other employee healthcare benefits	\$ 231,773,099	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Year Ended December 31, 2004

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investment	\$ 10,364,380
Interest and dividends	7,136,656
Investment management fees	(848,015)
Net income from investing activities	<u>16,653,021</u>

From securities lending activities:

Gross earnings	156,189
Borrower rebates	(132,409)
Securities fees	(9,448)
Net income from securities lending activities	<u>14,332</u>

Total net investment income	<u>16,667,353</u>
-----------------------------	-------------------

Contributions:

Employer	11,717,533
Employees	<u>3,521,050</u>

Total contributions	<u>15,238,583</u>
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Other additions	<u>67,962</u>
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Total additions	<u>31,973,898</u>
-----------------	-------------------

Deductions

Participant benefits	19,703,735
Participant refunds	90,941
Administrative expense:	<u>494,063</u>

Total deductions	<u>20,288,739</u>
------------------	-------------------

Net additions (deductions) to net assets held in trust

Employees' pension benefit	\$ 7,588,743
Postemployment healthcare benefit	3,925,381
Other employee benefits	<u>171,035</u>

Total net additions to net assets held in trust	11,685,159
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Net assets held in trust for benefits, beginning of year	<u>220,087,940</u>
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Net assets held in trust for benefits, end of year

Restricted for employees' pension benefit	198,260,425
Restricted for employees' postemployment healthcare benefit	33,178,866
Restricted for other employees' benefit	<u>333,808</u>

Total net assets held in trust for benefits, end of year	<u>\$ 231,773,099</u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Combining Statement of Net Assets
Component Units
December 31, 2004

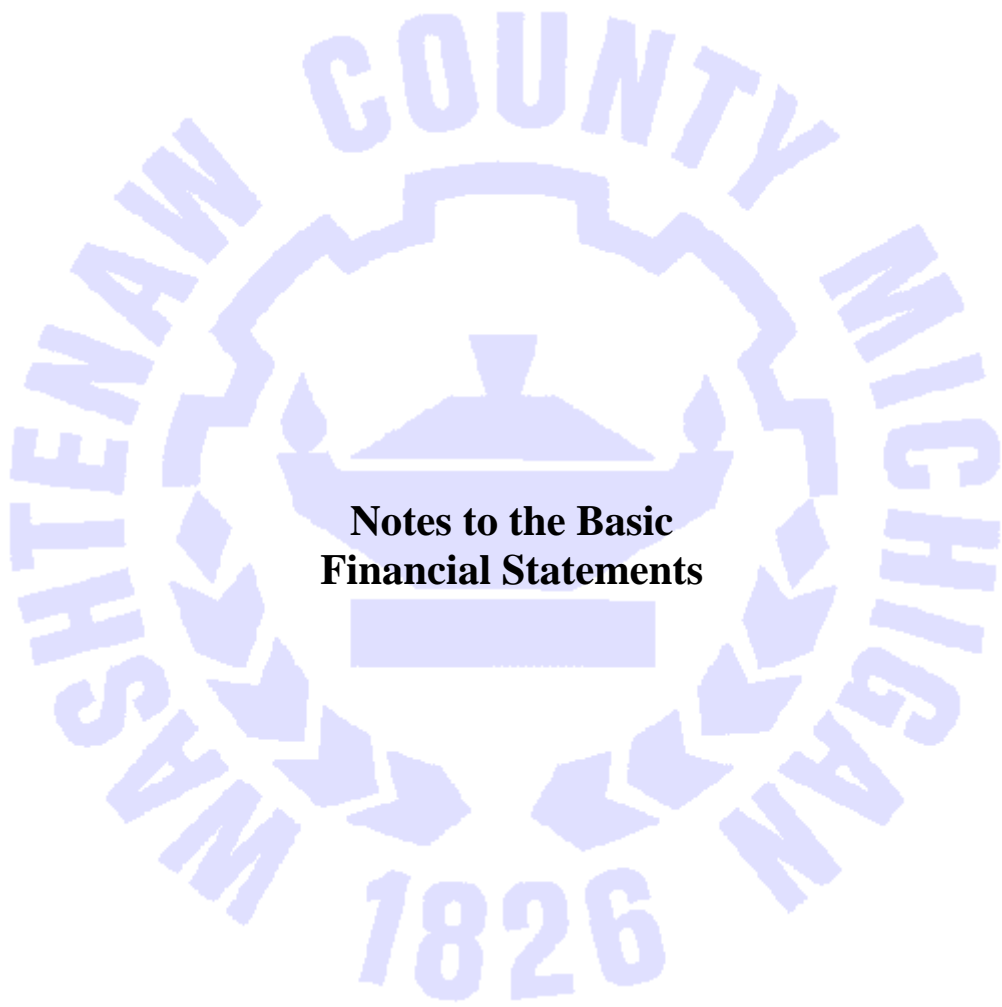
	Department of Public Works Projects	Drain Commissioner	Hazardous Materials Response Authority	Road Commission	Total
Assets					
Cash and pooled investments	\$ 6,735,578	\$ 9,833,981	\$ 117,372	\$ 5,829,058	\$ 22,515,989
Receivables, net	42,532,551	4,927,380	-	4,177,287	51,637,218
Prepaid items and other assets	275,422	9,119	-	1,148,152	1,432,693
Capital assets not being depreciated	-	710,516	-	16,668,153	17,378,669
Capital assets being depreciated	-	13,540,509	-	140,411,652	153,952,161
Total assets	49,543,551	29,021,505	117,372	168,234,302	246,916,730
Liabilities					
Accounts payable and accrued expenses	1,242,218	6,208,220	-	4,438,375	11,888,813
Accrued interest payable	368,612	43,246	-	-	411,858
Long-term liabilities:					
Due within one year	3,815,000	1,055,595	-	836,762	5,707,357
Due in more than one year	41,224,577	3,300,735	-	6,183,825	50,709,137
Total liabilities	46,650,407	10,607,796	-	11,458,962	68,717,165
Net assets					
Invested in capital assets, net of related debt	-	9,894,695	-	150,674,805	160,569,500
Restricted for:					
Debt service	248,645	1,508,832	-	-	1,757,477
Acquisition/construction of capital assets	2,644,499	3,738,504	-	-	6,383,003
Unrestricted	-	3,271,678	117,372	6,100,535	9,489,585
Total net assets	\$ 2,893,144	\$ 18,413,709	\$ 117,372	\$ 156,775,340	\$ 178,199,565

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Combining Statement of Activities
Component Units
Year Ended December 31, 2004

	Department of Public Works Projects	Drain Commissioner	Hazardous Materials Response Authority	Road Commission	Total
Expenses					
Public safety	\$ -	\$ -	\$ 44,598	\$ -	\$ 44,598
Public works	3,815,209	1,292,600	-	-	5,107,809
Highways and streets	-	-	-	16,104,601	16,104,601
Total expenses	3,815,209	1,292,600	44,598	16,104,601	21,257,008
Program revenues					
Charges for services	-	158,153	34,969	-	193,122
Operating grants and contributions	-	-	21,690	34,618,050	34,639,740
Capital grants and contributions	2,616,330	2,373,484	-	-	4,989,814
Total program revenues	2,616,330	2,531,637	56,659	34,618,050	39,822,676
Net program (expense) revenue	(1,198,879)	1,239,037	12,061	18,513,449	18,565,668
General revenues					
Unrestricted investment earnings	126,801	219,573	2,358	181,394	530,126
Gain on sale of capital assets	-	-	-	15,455	15,455
Total general revenues	126,801	219,573	2,358	196,849	545,581
Change in net assets	(1,072,078)	1,458,610	14,419	18,710,298	19,111,249
Net assets, beginning of year	3,965,222	16,955,099	102,953	138,065,042	159,088,316
Net assets, end of year	\$ 2,893,144	\$ 18,413,709	\$ 117,372	\$ 156,775,340	\$ 178,199,565

The accompanying notes are an integral part of these financial statements.



**Notes to the Basic
Financial Statements**

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

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WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Washtenaw County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting Entity

Washtenaw County is a municipal corporation governed by a 11-member commission and administered by an appointed county administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units have December 31 year-ends.

Blended Component Unit

The *Washtenaw County Building Authority* is governed by a five-member board appointed by the Board of Commissioners. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County’s public buildings.

Discretely Presented Component Units

The *Washtenaw County Department of Public Works Projects* is managed by the Board of Public Works, a seven-member board appointed by the County Board of Commissioners. The Board of Public Works is responsible for administering various public works construction projects and the associated debt service funds on behalf of local units of government within the County under the provisions of Act 185, Public Acts of 1957, as amended. All of the Board of Public Works’ contractual agreements including bond issuances require County Board of Commissioners approval. The full faith and credit of the County is given for the long-term debt of these projects.

Each of the drainage districts included in the financial statements of the *Washtenaw County Drain Commissioner* are separate legal entities with the power to contract; to sue and to be sued; and to hold, manage and dispose of real and personal property. The Statutory Drain Board consists of the Drain Commissioner, the Chair of the County Board of Commissioners, and one other member of the Board of Commissioners. The Drain Commissioner is responsible for the construction and maintenance of storm drains within the County. The full faith and credit of the County is often given for the long-term debt of the drainage districts.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The *Washtenaw County Hazardous Material Response Team Authority (WCHMRTA)* is managed by an eleven-member board composed of a representative from each of the five enabling jurisdictions (Washtenaw County, City of Ann Arbor, City of Ypsilanti, Pittsfield Township and Ypsilanti Township) appointed by their governing bodies, three representatives appointed by the Mutual Aid Association, and one member each from the Criminal Justice Association, Washtenaw County Public Health Department, and Huron Valley Ambulance. A Technical Advisory Committee supports the Board. The WCHMRTA was formed to develop and manage a county wide hazardous material response team. It has been fully operational since December 28, 1999. The Washtenaw County Board of Commissioners approves the operating budget and the Authority has delegated fiscal powers to the County.

The *Washtenaw County Brownfield Redevelopment Authority (WCBRA)* is governed by a nine-member board appointed by the Washtenaw County Board of Commissioners. Its purpose is to encourage and support the redevelopment of under-utilized and environmentally contaminated properties in partnership with member communities in Washtenaw County. The County Board of Commissioners approves WCBRA's operating budget; WCBRA has delegated fiscal powers to the County. The WCBRA had no financial activity during 2004.

The *Washtenaw County Road Commission* is responsible for the maintenance and construction of the county road system in Washtenaw County. It is governed by a three-member board appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission deposits its receipts with and has investments through the County.

Complete financial statements for each of the discretely presented component units can be obtained directly from their respective administrative offices, as follows:

Department of Public Works	Drain Commissioner	WCHMRTA	Road Commission
705 North Zeeb Road	705 North Zeeb Road	220 North Main Street	555 North Zeeb Road
Ann Arbor, MI 48107	Ann Arbor, MI 48107	Ann Arbor, MI 48107	Ann Arbor, MI 48106

Funds With Another Year End

The Community Support & Treatment Services Fund and Public Health Fund (special revenue funds of the County) are reported on a September 30 year-end in order to enhance the value of this document to certain readers and users.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community support and treatment services fund* accounts for the activities of delivering an array of mental health services to residents.

The *parks and recreation fund* accounts for the operations of the County-owned parks and recreational facilities and to account for the millage approved by County voters for the purchase of natural areas within the County.

The *revenue sharing reserve fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy.

The *building authority capital projects fund* accounts for the construction or purchase of major capital facilities.

The *county capital projects fund* accounts for renovation/small construction projects performed on County facilities and the purchase of capital equipment.

The government reports the following major proprietary fund:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary funds.

The *internal service funds* account for operations that provide services (e.g., telephone system, building repair and maintenance, self-insurance, fleet and equipment management) to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

The *agency funds* account for assets held for other governments in an agency capacity.

The *pension and other employee benefit trust funds* account for the activities of the Employees Retirement System, Money Purchase Pension Plan, and Voluntary Employees Beneficiary Association, which accumulate resources for pension and health benefit payments for qualified employees. The trust funds also include the Unemployment and Severance funds, which accumulate resources for related benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The County Treasurer maintains a cash management pool that is used by all funds and component units of the government, except for the pension and other employee benefit trust funds. In addition to their participation in the cash management pool, certain funds and component units also have separate checking accounts. The cash management pool has the general characteristics of a demand deposit account in that deposits and withdrawals may be made at any time without prior notice or penalty. Accordingly, each fund's portion of this pool, along with any amounts in separate demand deposit accounts, is reported as "cash and pooled investments."

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments, cash management pool balances and non-pool investments with original maturities of three months or less.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

3. Inventories and Prepaid Items

Inventories in the proprietary funds are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. For the Road Commission component unit, inventory is valued at average cost.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Drain Commissioner and Road Commission component units. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government and component units, except for the Road Commission, are depreciated using the straight-line method over the useful life of the assets as follows:

Buildings and improvements	50 years
Drain infrastructure	50 years
Equipment (computer, office and vehicles)	2.5 to 10 years

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Road Commission component unit, capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	5 to 20 years
Roads	5 to 30 years
Infrastructure	12 to 50 years

5. Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick pay are accrued when incurred in the government-wide and proprietary funds financial statements. A liability is reported in governmental funds only if these amounts have matured, for example, as a result of employee resignations or retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Budgets are not required for debt service and capital projects funds. All annual appropriations lapse at year-end.

The County utilizes a biennial budget to improve the efficiency of the overall budgeting process. The first year of the biennial budget is prepared for approval and adoption, and the second year is based on information currently available. The second year budget is amended during the first year to reflect necessary revisions as economic conditions warrant. Necessary changes are brought back to the Board of Commissioners prior to the beginning of the fiscal year for final adoption.

The County Administrator submits a proposed budget to the Board of Commissioners before September 15. The budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is adopted no later than December 31 through a Board of Commissioners resolution.

The appropriated budget is prepared by fund, function and department. The County's department heads may make limited transfers of appropriations within a department. Transfers of appropriations between departments require approval by the Board of Commissioners or County Administrator, depending on the dollar value of the transfers. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the General Fund and the function level for special revenue funds. Supplemental budgetary appropriations were made during the year, but were not material for purposes of these disclosures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are recorded in the amount of the outstanding purchase orders and contracts at the time the purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances at the end of the year are not carried forward to the next year.

B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the County were adopted on a department level basis for the General Fund and the function level for the special revenue funds.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Excess of expenditures over appropriations in individual funds are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
Special revenue funds:			
Community Support & Treatment Services - health	\$ 17,066,189	\$ 17,496,360	\$ 430,171
Public Works Solid Waste Program - public works	383,000	420,473	37,473
Inmate Concessions - public safety	270,972	327,191	56,219
Other Special Revenue - judicial	1,074,552	1,344,388	269,836
Other Special Revenue - transfers out	-	20,344	20,344
Public Health - health	8,941,019	9,927,622	986,603
Public Health - transfers out	-	24,972	24,972

These over-expenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

A reconciliation of cash, pooled investments and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

	<u>Statement of Net Assets</u>			
	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Financial Statements:				
Cash and pooled investments	\$ 62,146,470	\$ 22,515,989	\$ 19,819,391	\$ 104,481,850
Investments	-	-	231,062,900	231,062,900
	<u>\$ 62,146,470</u>	<u>\$ 22,515,989</u>	<u>\$ 250,882,291</u>	<u>\$ 335,544,750</u>

Notes to Financial Statements:

Deposits	\$ 35,161,322
Investments	300,977,210
Cash on hand	42,081
Net effect of funds with different fiscal year ends	(635,863)
	<u>\$ 335,544,750</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Due to the nature of the County's cash management pool, it is not possible to segregate deposits and investments between the primary government and the component units. The same is true for FDIC insurance coverage. Accordingly, only reporting entity totals are shown for the deposits and investments, as well as the FDIC coverage.

Deposits

At year-end, the carrying amount of the County's deposits (including certificates of deposit of \$24,000,000) was \$35,161,322 and the bank balance was \$37,252,832. Of the bank balance, \$1,100,000 was covered by federal depository insurance and \$36,152,832 was neither insured nor collateralized.

Investments and Securities Lending

The County's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the County's name. The pension and other employee benefit trust funds own 100% of the investments in Category 3.

A contract approved by the Washtenaw County Employees' Retirement System (the System) Board of Directors permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan.

There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the following schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

At year-end, the government's investment balances were as follows:

<u>Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Commercial paper	\$ 10,989,660	\$ 15,754,823	\$ -	\$ 26,744,483
Mortgages and asset backed securities	-	-	1,308,264	1,308,264
Common stocks:				
Not on securities loan	-	-	116,796,960	116,796,960
On securities loan	-	-	3,883,804	3,883,804
United States Treasury strips	-	-	8,829,647	8,829,647
Other United States Treasury securities	-	-	1,385,547	1,385,547
Other United States Government securities:				
Not on securities loan	43,817,924	-	21,707,594	65,525,518
On securities loan	-	-	4,116,991	4,116,991
Corporate bonds:				
Not on securities loan	-	-	15,554,690	15,554,690
On securities loan	-	-	333,088	333,088
Short-term investments	-	-	10,446,145	10,446,145
	<u>\$ 54,159,487</u>	<u>\$ 15,754,823</u>	<u>\$ 184,362,730</u>	254,277,040
Noncategorized - mutual funds				<u>46,700,170</u>
				<u>\$ 300,977,210</u>

B. Receivables

Receivables in the governmental activities are as follows:

Taxes	\$ 62,425,123
Accounts	1,720,009
Leases	4,233,440
Intergovernmental	9,316,182
Less: allowance for uncollectible accounts	<u>(125,973)</u>
	<u>\$ 77,568,781</u>

The only amount not expected to be collected within one year is \$3,506,657 of leases receivable.

Receivables for the business-type activities are composed entirely of amounts due from taxpayers for delinquent taxes and related interest and collections fees.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ 39,418,022	\$ -
Property taxes receivable (Parks and Recreation Fund)	9,174,695	-
Grant drawdowns prior to meeting all eligibility requirements	-	365,569
	<u>\$ 48,592,717</u>	<u>\$ 365,569</u>

C. Capital Assets

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 12,267,428	\$ 2,335,256	\$ -	\$ 14,602,684
Construction in progress	-	2,183,486	-	2,183,486
Total capital assets, not being depreciated	<u>12,267,428</u>	<u>4,518,742</u>	<u>-</u>	<u>16,786,170</u>
Capital assets, being depreciated:				
Buildings	100,467,703	1,487,902	(511,595)	101,444,010
Improvement other than buildings	10,953,427	136,828	(18,190)	11,072,065
Machinery and equipment	<u>14,717,079</u>	<u>1,537,252</u>	<u>(1,188,674)</u>	<u>15,065,657</u>
Total capital assets being depreciated	<u>126,138,209</u>	<u>3,161,982</u>	<u>(1,718,459)</u>	<u>127,581,732</u>
Less accumulated depreciation for:				
Buildings	(24,254,238)	(2,912,994)	165,407	(27,001,825)
Improvements other than buildings	(3,208,817)	(305,613)	18,190	(3,496,240)
Machinery and equipment	<u>(7,924,472)</u>	<u>(1,802,989)</u>	<u>1,087,626</u>	<u>(8,639,835)</u>
Total accumulated depreciation	<u>(35,387,527)</u>	<u>(5,021,596)</u>	<u>1,271,223</u>	<u>(39,137,900)</u>
Total capital assets being depreciated, net	<u>90,750,682</u>	<u>(1,859,614)</u>	<u>(447,326)</u>	<u>88,443,832</u>
Governmental activities capital assets, net	<u>\$103,018,110</u>	<u>\$ 2,659,128</u>	<u>\$ (447,236)</u>	<u>\$ 105,230,002</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:

Legislative	\$ 9,250
Judicial	1,054,452
General government	844,447
Public safety	1,131,044
Health	324,326
Social services	299,976
Culture and recreation	630,417
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>727,684</u>

Total depreciation expense-governmental activities	<u>\$ 5,021,596</u>
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Construction Commitments

The County has three active construction projects as of December 31, 2004. The Washtenaw County Space Plan Capital Improvement projects include architect, design services, and energy improvements to various buildings. The commitments for the projects are financed by general obligation bonds and reserves. The Parks and Recreation department project is for a border-to-border trail development. The commitments for the project are financed by Parks and Recreation revenues and reserves, along with state and federal grants.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Border-to-Border Trail Recreation Development	\$ 926,765	\$ 8,681,603
Energy Conservation Measures (various buildings)	<u>1,256,721</u>	<u>4,859,027</u>
Total	<u>\$ 2,183,486</u>	<u>\$ 13,540,630</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Discretely Presented Component Units

Drain Commissioner. Capital asset activity for the Drain Commissioner for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated-				
Construction in progress	<u>\$ 676,685</u>	<u>\$ 799,448</u>	<u>\$ (765,617)</u>	<u>\$ 710,516</u>
Capital assets, being depreciated-				
Infrastructure	18,400,866	765,557	-	19,166,423
Less accumulated depreciation for-				
Infrastructure	<u>(5,259,752)</u>	<u>(366,162)</u>	<u>-</u>	<u>(5,625,914)</u>
Total capital assets being depreciated, net	<u>13,141,114</u>	<u>399,395</u>	<u>-</u>	<u>13,540,509</u>
Drain Commissioner capital assets, net	<u><u>\$13,817,799</u></u>	<u><u>\$ 1,198,843</u></u>	<u><u>\$ (765,617)</u></u>	<u><u>\$14,251,025</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Road Commission. The Road Commission implemented the retroactive reporting of infrastructure under the provisions of GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and related statements as of January 1, 2004. As such, beginning balances below were restated to include approximately \$81 million in net infrastructure assets not previously accounted for by the Road Commission.

Capital asset activity for the Road Commission for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$16,219,144	\$ 449,009	\$ -	\$16,668,153
Capital assets, being depreciated:				
Buildings and storage bins	12,765,118	55,693	(41,592)	12,779,219
Road equipment	11,529,537	897,162	(85,476)	12,341,223
Other equipment	1,691,535	97,336	-	1,788,871
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	187,938,083	18,228,912	-	206,166,995
Total capital assets being depreciated	214,060,659	19,279,103	(127,068)	33,212,694
Less accumulated depreciation for:				
Buildings and storage bins	(2,630,238)	(312,677)	39,237	(2,903,678)
Road equipment	(8,852,845)	(945,167)	85,285	(9,712,727)
Other equipment	(964,956)	(149,779)	-	(1,114,735)
Brine wells and gravel pits	(136,386)	-	-	(136,386)
Infrastructure	(78,524,897)	(408,619)	-	(78,933,516)
Total accumulated depreciation	(91,109,322)	(1,816,242)	124,522	(92,801,042)
Total capital assets being depreciated, net	122,951,337	17,462,861	(2,546)	140,411,652
Road Commission capital assets, net	<u>\$139,170,481</u>	<u>17,911,870</u>	<u>\$ (2,546)</u>	<u>\$157,079,805</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

D. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Accounts	\$ 1,053,278
Wages, fringe benefits and other accrued liabilities	4,758,061
Intergovernmental	392,241
	<u><u>\$6,203,580</u></u>

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

Advances to/from other funds	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 966,852	\$ -
County Capital Projects	913,381	
Internal service funds	-	1,880,233
Total	<u><u>\$ 1,880,233</u></u>	<u><u>\$ 1,880,233</u></u>
Interfund receivable/payable		
County Capital Projects	\$ 5,703,779	\$ -
Community Support & Treatment Services	-	257,195
Revenue Sharing Reserve	-	3,690,840
Nonmajor governmental funds	-	1,755,744
Total	<u><u>\$ 5,703,779</u></u>	<u><u>\$ 5,703,779</u></u>

The advances from the General Fund and the County Capital Projects Fund as well as the interfund receivable in the County Capital Projects fund were executed in order to assist the cash position (cash flow) of the respective recipient funds.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 4,620,356	\$18,615,493
Community Support & Treatment Services	280,998	-
Revenue Sharing Reserve	-	3,690,840
Building Authority	1,762,234	1,762,235
County Capital Projects	6,996,141	3,624,201
Nonmajor governmental funds	25,953,530	9,016,031
Delinquent Tax Revolving	-	2,405,084
Internal service funds	716,115	1,104,870
Total per financial statements	40,329,374	40,218,754
Adjustments for September 30 year end funds	(110,620)	-
Total	<u>\$40,218,754</u>	<u>\$40,218,754</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$40,329,374 and total transfers out were \$40,218,754. The difference between these amounts, \$110,620, was attributable to transactions with the Public Health and Community Support & Treatment Services funds, which are reported on a September 30 year-end. As such, this is reported as an uneliminated internal balance in the statement of activities.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

F. Leases

Capital Leases – The County acquired computer equipment under capital leases. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of the minimum lease payments, as of December 31, 2004:

2005	\$ 139,800
Less amount representing interest	<u>2,928</u>
Present value of minimum lease payments	<u>\$ 136,872</u>

Operating Leases - The County has commitments under operating lease agreements that provide for annual minimum lease payments as follows:

2005	\$ 541,116
2006	283,278
2007	182,526
2008	182,526
2009	182,526
2010	182,526
2011	1,026
2012	1,026
2013	<u>1,026</u>
Total	<u>\$ 1,557,576</u>

Rental expense for all operating leases aggregated \$322,659 for the year ended December 31, 2004.

Lessor Leases – The County has leased certain land to Huron Valley Ambulance, Inc. (HVA) under a capital lease agreement. HVA has commitments under the lease that provide for annual minimum lease payments of \$51,802 during 2004 and continuing for the next five years. At the end of the lease, the County is required to quit claim deed the land to HVA.

G. Long-term Debt

Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$46,545,000. The County issues general obligation notes to provide monies for the purchase of the delinquent taxes receivable from local units of government. The original amount of general obligation notes was \$11,000,000.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. Bonds are generally issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year. Notes are generally issued with a six-month due maturity. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.0 - 5.5%	\$ 22,180,000
Governmental activities - refunding	2.0 - 3.5%	15,940,000
Business-type activities	2.25%	11,000,000
		<u>\$ 49,120,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,200,000	\$ 1,366,562	\$ 11,000,000	\$ 210,375
2006	2,875,000	1,340,548	-	-
2007	2,660,000	1,262,266	-	-
2008	2,725,000	1,185,052	-	-
2009	2,775,000	1,102,332	-	-
2010-2014	13,420,000	4,008,487	-	-
2015-2019	7,700,000	1,798,474	-	-
2020-2024	2,765,000	347,225	-	-
Total	<u>\$ 38,120,000</u>	<u>\$ 12,410,946</u>	<u>\$ 11,000,000</u>	<u>\$ 210,375</u>

In addition to general obligation bonds and notes, the County has an interest-free loan from the Michigan Economic Development Corporation in the amount of \$292,133. The borrowed monies were used in conjunction with funds received under a federal grant to fund renovation work at Willow Run Airport. The loan will be repaid in 60 quarterly installments of \$4,869 beginning in the first quarter of 2005 and ending in the fourth quarter of 2019. Willow Run Airport Authority will be reimbursing the County for the debt service payments made by the County.

Current refunding. The County issued \$3,535,000 of general obligation limited tax bonds for a current refunding of \$3,360,000 of building authority bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$135,470, which is netted against the new debt and amortized over the new debt's life. The refunding reduces future debt service payments by \$217,067, representing an economic gain of \$188,360.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The County also issued \$4,300,000 of general obligation limited tax bonds for a current refunding of \$4,280,000 of building authority bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$82,432, which is netted against the new debt and amortized over the new debt's life. The refunding reduces future debt service payments by \$278,690, representing an economic gain of \$243,123.

Component Units

Department of Public Works Projects. County general obligation bonds are issued to finance construction projects managed and administered by the Department of Public Works. The original amount of general obligation bonds for governmental activities issued in prior years was \$63,498,594.

These bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and/or authorities. The bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year through May 2022 and bear interest at rates ranging from 2.25% to 7.625%. A summary of general obligation bonds currently outstanding is as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.0 - 7.625%	\$ 35,977,279
Governmental activities - refunding	2.75 - 6.75%	9,260,000
		<u><u>\$ 45,237,279</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,815,000	\$ 1,937,413
2006	3,690,000	1,745,708
2007	3,180,000	1,606,658
2008	2,750,000	1,492,121
2009	2,685,000	1,378,391
2010-2014	13,740,000	5,128,315
2015-2019	11,320,000	2,199,756
2020-2022	4,057,279	265,304
Total	<u><u>\$ 45,237,279</u></u>	<u><u>\$ 15,753,666</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Drain Commissioner. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$7,954,470. During the year general obligation notes totaling \$892,700 were issued.

These bonds and notes are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.97 - 6.8%	\$4,361,400

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,055,595	\$ 167,252
2006	987,595	138,532
2007	588,050	97,581
2008	426,760	71,952
2009	397,950	52,400
2010-2014	830,450	89,208
2015	75,000	1,875
Total	\$ 4,361,400	\$ 618,800

Road Commission. The Road Commission has special assessment bonds, capital leases, and notes outstanding. The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed for the cost of the improvement. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Road Commission must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The amount of receivables delinquent at December 31, 2004 is not significant.

The Road Commission has a lease payable to the Washtenaw County Building Authority for the debt service costs related to bonds that were sold for the construction of Yard 2. The lease agreement terminates with the retirement of the bond issue in September 2013. The annual lease payment is equal to the related bond principal and interest.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The 2000 and 2002 Michigan Transportation Fund notes were issued in accordance with the statutory requirements of Michigan Public Act 143 of 1943, as amended. The monies from these notes were used to fund improvements on county highways in Scio Township and Ypsilanti Township. The following is a summary of debt outstanding of the Road Commission as of December 31, 2004:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.0 - 6.75%	\$ 6,405,000

Annual principal and interest requirements to service all debt outstanding as of December 31, 2004, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 805,000	\$ 225,538
2006	755,000	200,150
2007	775,000	174,878
2008	770,000	148,733
2009	780,000	121,715
2010-2013	2,520,000	221,375
Total	\$ 6,405,000	\$ 1,092,389

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
Loan from State of Michigan	\$ 292,133	\$ -	\$ -	\$ 292,133	\$ 19,476
Capital leases	346,319	-	(209,447)	136,872	136,872
General obligation bonds	35,035,000	14,200,000	(11,115,000)	38,120,000	3,200,000
Less deferred amounts for:					
Issuance discounts	(47,500)	-	2,500	(45,000)	-
Issuance premiums	137,519	79,167	(21,669)	195,017	-
Refunding loss	(462,200)	(217,902)	68,010	(612,092)	-
Compensated absences	<u>10,421,077</u>	<u>7,916,274</u>	<u>(7,039,848)</u>	<u>11,297,503</u>	<u>1,260,667</u>
	<u>\$ 45,722,348</u>	<u>\$ 21,977,539</u>	<u>\$ (18,329,327)</u>	<u>\$ 49,384,433</u>	<u>\$ 4,617,015</u>
Business-type activities:					
General obligation tax notes	\$ 9,000,000	\$ 11,000,000	\$ (9,000,000)	\$ 11,000,000	\$ 11,000,000
Compensated absences	<u>4,404</u>	<u>4,584</u>	<u>(3,340)</u>	<u>5,648</u>	<u>269</u>
	<u>\$ 9,004,404</u>	<u>\$ 11,004,584</u>	<u>\$ (9,003,340)</u>	<u>\$ 11,005,648</u>	<u>\$ 11,000,269</u>
Component Units					
Department of Public Works Projects:					
General obligation bonds	\$ 43,577,279	\$ 6,210,000	\$ (4,550,000)	\$ 45,237,279	\$ 3,815,000
Less deferred amounts for issuance discounts	<u>(187,142)</u>	<u>(22,033)</u>	<u>11,473</u>	<u>(197,702)</u>	<u>-</u>
	<u>\$ 43,390,137</u>	<u>\$ 6,187,967</u>	<u>\$ (4,538,527)</u>	<u>\$ 45,039,577</u>	<u>\$ 3,815,000</u>
Drain Commissioner:					
General obligation bonds	\$ 3,070,000	\$ -	\$ (450,000)	\$ 2,620,000	\$ 405,000
Notes payable	1,160,696	892,700	(311,996)	1,741,400	650,595
Less deferred amounts for issuance discounts	<u>(5,850)</u>	<u>-</u>	<u>780</u>	<u>(5,070)</u>	<u>-</u>
	<u>\$ 4,224,846</u>	<u>\$ 892,700</u>	<u>\$ (761,216)</u>	<u>\$ 4,356,330</u>	<u>\$ 1,055,595</u>
Road Commission:					
Michigan Transportation Fund Notes	\$ 3,270,000	\$ -	\$ (395,000)	\$ 2,875,000	\$ 395,000
Special assessment bonds	140,000	-	(70,000)	70,000	70,000
Lease payable	3,660,000	3,460,000	(3,660,000)	3,460,000	340,000
Less deferred amounts for refunding loss	<u>-</u>	<u>(135,470)</u>	<u>-</u>	<u>(135,470)</u>	<u>-</u>
Compensated absences	<u>693,265</u>	<u>840,611</u>	<u>(782,819)</u>	<u>751,057</u>	<u>31,762</u>
	<u>\$ 7,763,265</u>	<u>\$ 4,165,141</u>	<u>\$ (4,907,819)</u>	<u>\$ 7,020,587</u>	<u>\$ 836,762</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$206,138 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established internal service funds to account for and finance its uninsured risks of loss. Under this program, the internal service funds provide coverage up to a maximum of \$250,000 for each general liability, police liability or property claim, with no loss fund. The internal service funds also provide coverage up to \$250,000 for any settlement, with all attorney fees being covered under the insurance policy for public officials and employee liability claims, up to \$300,000 for each worker's compensation claim, and up to \$250,000 for each professional liability claim. The County purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the County participate in the program and make payments to the internal service funds based on rates established to fund estimated actual liabilities. The total claims liability of \$1,806,000 reported in the funds at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has estimated its ultimate liability based upon estimates of known claims and actuarial based computations of incurred but not reported claims. The claims liability is presented at its net present value using an annual discount rate of 6%.

Changes in the funds' claims liability amount for the past two years were:

	<u>2004</u>	<u>2003</u>
Balance at beginning of year	\$ 1,970,000	\$ 1,697,000
Current year claims and changes		
in estimates	14,402,649	15,285,895
Claims paid	(14,566,649)	(15,012,895)
Balance at end of year	<u>\$ 1,806,000</u>	<u>\$ 1,970,000</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Component units participate in the County's self-insurance program, except for the Road Commission, which purchases commercial insurance for health care claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to property loss, torts, and errors and omissions. The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Property Taxes

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the assessed valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessment was an enforceable lien on property and is payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the State of Michigan at an estimated 50% of current market value.

In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold. Real property in Washtenaw County for the 2003 levy (to fund 2004 operations) was assessed and equalized at \$13.9 billion, representing 50% of estimated current market value. The County operating tax rate was at the maximum rate of 4.6384 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter-approved tax of 0.4816 mills for parks and recreation purposes and 0.2458 mills for purchase of selected natural areas in the County.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. These receivables (\$6.7 million at December 31, 2004) are pledged to a bank for payment of tax anticipation notes payable, the proceeds of which are used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon, and investment earnings are used to extinguish the debt.

D. Joint Ventures

In 1999, the County entered into an agreement with the University of Michigan (the “University”) to form the *Washtenaw Community Health Organization (WCHO)* for the purpose of establishing an integrated health care delivery system to provide mental health, substance abuse, and primary and specialty health care to Medicaid, low income and indigent consumers as defined by the Michigan Mental Health Code and Medicaid eligibility guidelines.

WCHO is governed by a 12-member board; both the County and University appoint six members each. Under the agreement, WCHO replaced the County as the contractor for the mental health and substance abuse managed care contracts with the State of Michigan. This change was effective October 1, 2000, and currently provides the primary source of funding for WCHO.

The agreement also provides that the County and University will share equally in any gains or losses generated by WCHO, subject to certain limitations. However, because the agreement prohibits the distribution of any assets until WCHO is terminated and/or dissolved (and there are specific restrictions on the use of gains under the managed care contracts with the State of Michigan), WCHO is deemed to be a “joint venture with no equity interest.” Accordingly, no amounts are reported in the accompanying financial statements for the County’s equity in WCHO; however, financial information may be obtained by writing to WCHO at P.O. Box 917, Ypsilanti, Michigan 48197.

E. Jointly Governed Organizations

The *Washtenaw Central Dispatch and Technology Authority (WCDTA)* was originally established to provide centralized public safety dispatching for law enforcement, fire and emergency medical services to the Sheriff’s Department, the Michigan State Police, Northfield Township Police, Huron Valley Ambulance, the townships of Ann Arbor, Augusta, Manchester, Northfield, Salem, Scio and Superior, and Dexter Area Fire Department. The organization is governed by a 12-member board. There was no financial activity for the Authority for the year ended December 31, 2004. Public safety dispatching services for the Sheriff’s Department, Northfield Township Police and the Michigan State Police were provided by the County during 2004.

The County has no significant influence over the management of WCDTA. Therefore, WCDTA is not included in the County’s financial report.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The ***Washtenaw County 800 MHz Communications Consortium*** (the Consortium) was formed to provide for the ownership, governance and management of a public safety/public service communications system that delivers reliable, interoperable wireless communications throughout Washtenaw County. The County, as well as the cities of Ann Arbor, Saline, and Milan, are charter members of the Consortium. The Consortium is governed by an executive board.

The County has no significant influence over the management of the Consortium. Financial accountability is limited to the extent of any appropriated operating grant. Therefore, the Consortium is not included in the County's financial report. Separate financial statements for the Consortium may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

The ***Washtenaw County HOME Consortium*** (the Consortium) was formed pursuant to the Urban Cooperation Act (MCLA 124.501) for the purpose of cooperating with other local governments in housing assistance activities under the HOME program (Home Investment Partnership Program) and for the purpose of formulating and submitting a consolidated plan in order to receive a HOME program allocation from the U.S. Department of Housing and Urban Development (HUD).

The City of Ypsilanti and Washtenaw County are members of the Consortium. The County serves as lead entity for the Consortium. The County has been granted financial and fiscal authority and responsibility for all funds received. The County is the official recipient of the HOME program dollars from HUD. The HOME program is included in the audit of Washtenaw County.

Financial information may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

The ***Washtenaw Urban County*** was created by a formal cooperation agreement between the County and seven of its townships: Ypsilanti, Salem, Pittsfield, Superior, Bridgewater, Northfield and Ann Arbor. The Urban County is an Entitlement Community created under the Urban Cooperation Act for the period of July 1, 2003 through June 30, 2006. The Urban County jurisdictions receive HOME and CDBG grant funds for use in those jurisdictions to address community development and housing needs. The chairperson of the Washtenaw County Board of Commissioners and the chief elected officials of the seven townships participating in the Urban County have joined together to form the Urban County Executive Committee. The Urban County Executive Committee serves as the decision-making body for those funds.

Financial information may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

F. Pension and Other Postemployment Benefits

The County provides pension and postemployment health care benefits to eligible employees through the following plans:

County administered:

Employees Retirement System (ERS)

Money Purchase Pension Plan (MPPP)

Voluntary Employees Beneficiary Association (VEBA)

Municipal Employees Retirement System of Michigan (MERS)

The County issues publicly available financial reports for ERS, MPPP and VEBA that include financial statements and required supplementary information, as applicable. These financial reports may be obtained by writing to Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

Information regarding the aforementioned plans is presented below.

County Administered Plans – Plan Descriptions, Funding Policies and Other Disclosures

Employees Retirement System (ERS). The County has a single-employer defined benefit retirement plan that provides pension and post employment healthcare benefits to all full-time, regular employees hired prior to January 1, 1989. County Ordinances assign the authority to establish and amend benefit provisions and contribution requirements to the County Board of Commissioners, subject to the terms of collective bargaining agreements. Sheriff and non-Sheriff department Plan members are required to contribute 7% and 5%, respectively, of their annual compensation to the System for pension benefits. The County's contribution for the Sheriff and non-Sheriff department Plan members for the year ended December 31, 2004, represents 16.92% and 19.81%, respectively, of annual covered payroll.

The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution / cost	\$ 2,451,764
Contributions made	2,451,764
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	<u><u>\$ -</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The annual required contribution for the current year was determined as part of the December 31, 2002, actuarial valuation using the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included: (a) a rate of return on investments of 7.75% per year compounded annually; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 7.4% per year, depending on age and service, attributable to seniority/merit; and (d) the assumptions that pension benefits will not increase after retirement and health insurance premiums will increase 5.0% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The latest actuarial valuation was performed as of December 31, 2003.

Three-Year Trend Information

	Annual		
	Pension	Percentage	Net
	Cost	of APC	Pension
<u>Year Ended</u>	<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/02	\$ 1,456,780	100%	\$ -
12/31/03	1,651,416	100%	-
12/31/04	2,451,764	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

Money Purchase Pension Plan (MPPP). The Washtenaw County Money Purchase Pension Plan (MPPP; the “Plan”) is a defined contribution pension plan established and administered by Washtenaw County to provide benefits at retirement to all regular employees of the County hired on or after January 1, 1989 who work greater than 50% hours. Plan members are required to contribute 6% or 7.5% of covered salary depending on the particular collective bargaining unit. The County is required to match the plan member contributions. Plan provisions and contribution requirements are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County’s various collective bargaining agreements. The employer and employee contributions totaled approximately \$3.1 million and \$2.8 million, respectively, for the year ended December 31, 2004.

Voluntary Employees Beneficiary Association (VEBA). The Washtenaw County Voluntary Employees Beneficiary Association (VEBA; the “Plan”) is a single-employer defined benefit post employment healthcare plan established by Washtenaw County to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the County’s pension plans. Plan provisions are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County’s various collective bargaining agreements. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Subject to certain age and length of service requirements, eligible participants receive the same or comparable medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan are currently on a pay-as-you-go basis with additional contributions intended to build the fund for purposes of paying future benefits. Employer contributions for the year ended December 31, 2004 were \$4,788,478. Although an actuarial valuation of the Plan was completed during 2004, the County has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement.

In general, employees are not required to contribute to the Plan. However, provisions of the ERS Plan allow that required contributions to the healthcare component of that Plan, equal to 7% of annual covered compensation, may be directed to the VEBA, either in whole or in part, at the County's discretion. No employee contributions were directed to the VEBA in 2004. Any such contributions in the future will likewise be subject to the discretion of the Washtenaw County Board of Commissioners and the ERS Board, as well as any applicable collective bargaining agreements.

During 2004, 516 members received healthcare benefits under the Plan, and the cost of those benefits amounted to \$3,128,312.

County Administered Plans – Summary of Significant Accounting Policies

The financial statements of ERS, MPPP and VEBA are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Municipal Employees Retirement System of Michigan

The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits for certain full-time Washtenaw County Sheriff Department employees. The System is administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate; the current rate is 6.07% of annual covered payroll. Participating employees are required to contribute 5.0% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2004, the County's annual pension cost of \$956,387 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

	Annual		
	Pension	Percentage	Net
	Cost	of APC	Pension
<u>Year Ended</u>	<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/02	\$ 783,326	100%	\$ -
12/31/03	774,093	100%	-
12/31/04	956,387	100%	-

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/95	\$ 2,435,138	\$ 3,283,020	\$ 847,882	74%	\$ 4,480,912	19%
12/31/96	3,085,321	4,802,223	1,716,902	64%	5,328,994	32%
12/31/97	3,993,680	5,664,736	1,671,056	71%	6,757,788	25%
12/31/98	5,553,259	6,585,312	1,032,053	84%	7,300,718	14%
12/31/99	7,104,392	8,961,586	1,857,194	79%	8,736,898	21%
12/31/00	8,825,067	10,626,535	1,801,468	83%	9,571,961	19%
12/31/01	10,576,339	12,361,200	1,784,861	86%	11,020,092	16%
12/31/02	12,389,117	15,438,644	3,049,527	80%	13,046,728	23%
12/31/03	15,087,281	18,117,442	3,030,161	84%	14,256,334	22%

Component Unit

The Road Commission participates in MERS, an agent multiple-employer defined benefit pension plan that covers nearly all employees of the Road Commission. The Road Commission's MERS plan is separate from that of the County's. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by resolution of the Road Commission Board.

For the year ended December 31, 2004, the Road Commission's annual pension cost of approximately \$633,502 for the plan was equal to the Road Commission's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include: (a) an 8.0% investment rate of return; (b) projected salary increases of 4.5% to 8.7% per year, which include an inflation component of 4.5%; and (c) no post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The amortization period is 30 years. Employees are required to contribute 5.0% of their annual covered payroll.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$ 213,485	100%	\$ -
12/31/03	610,255	100%	-
12/31/04	633,502	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/98	\$ 17,646,976	\$ 18,438,632	\$ 791,656	96%	\$ 4,911,946	16%
12/31/99	19,916,284	19,652,840	(263,444)	101%	5,557,826	0%
12/31/00	21,416,609	21,954,492	537,883	98%	5,393,251	10%
12/31/01	22,474,326	23,152,354	678,028	97%	5,761,249	12%
12/31/02	22,566,839	27,539,205	4,972,366	82%	6,054,035	82%
12/31/03	23,848,237	31,276,579	7,428,342	76%	6,790,857	109%

G. Restatements

Effective January 1, 2004, the Road Commission elected to implement the retroactive reporting of infrastructure, as provided by the provisions of Governmental Accounting Standards Board Statement No. 34. As a result, the Road Commission's financial statements have changed to include approximately \$81 million in net infrastructure assets (roads, bridges, etc. from 1980 to 2000) not previously accounted for by the Road Commission.

H. Subsequent Events

In January 2005, the County issued \$11,475,000 of general obligation refunding bonds to advance refund the callable portion of the 1999 Series general obligation bonds amounting to \$10,550,000.

* * * * *



**Required
Supplementary Information**

WASHTENAW COUNTY
Employees' Retirement System
Required Supplementary Information

Schedule of Funding Progress - Pension Only

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2-1)	Funded Ratio (1/2)	Covered Payroll	UAAL as a % of Covered Payroll (3/5)
1994	\$ 94,239,101	\$ 80,448,400	\$ (13,790,701)	117.1%	\$ 11,931,051	-115.6%
1995	101,442,954	86,726,240	(14,716,714)	117.0%	12,044,411	-122.2%
1996	108,627,450	95,561,046	(13,066,404)	113.7%	11,600,274	-112.6%
1997	120,280,457	117,942,286	(2,338,171)	102.0%	10,637,600	-22.0%
1998	133,580,663	133,430,791	(149,872)	100.1%	11,295,189	-1.3%
1999	146,587,299	144,026,699	(2,560,600)	101.8%	11,609,168	-22.1%
2000	156,959,460	152,942,076	(4,017,384)	102.6%	11,589,561	-34.7%
2001	163,564,179	166,381,778	2,817,599	98.3%	13,843,557	20.4%
2002	157,473,610	169,389,000	11,915,390	93.0%	12,836,355	92.8%
2003	157,237,691	173,989,111	16,751,420	90.4%	12,332,026	135.8%

For purposes of the Schedule of Funding Progress, the actuarial accrued liability values as shown are determined using the entry age actuarial cost method. However, the System uses the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
1995	\$ 435,677	\$ 471,022	108.1%
1996	146,136	151,280	103.5%
1997	-	-	0.0%
1998	-	-	0.0%
1999	1,038,243	1,038,243	100.0%
2000	1,513,759	1,513,759	100.0%
2001	1,449,631	1,449,631	100.0%
2002	1,456,780	1,456,780	100.0%
2003	1,651,416	1,651,416	100.0%
2004	2,451,764	2,451,764	100.0%



Supplementary Information

WASHTENAW COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2004

	Special Revenue Funds					
	Aerial Photo	Building Services	Child Care	County Library	Public Works Solid Waste Program	E-911
<u>ASSETS</u>						
Assets						
Cash and pooled investments	\$ 176,840	\$ 131,625	\$ -	\$ 129,055	\$ 251,154	\$ 527,921
Accounts receivable	-	13,145	8,960	-	108,517	18,915
Due from other governments	-	-	739,107	-	7,186	90,787
Notes receivable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 176,840</u>	<u>\$ 144,770</u>	<u>\$ 748,067</u>	<u>\$ 129,055</u>	<u>\$ 366,857</u>	<u>\$ 637,623</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 65,720	\$ -	\$ 8,113	\$ 238,178
Accrued liabilities	-	24,478	102,712	14,448	6,279	1,714
Due to other governments	-	-	-	-	-	-
Interfund payable	-	-	278,207	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other governments	-	-	-	-	-	-
Total liabilities	-	24,478	446,639	14,448	14,392	239,892
Fund balances						
Reserved for prepaid items	-	-	-	-	-	-
Unreserved:						
Designated for subsequent year's expenditures	-	-	-	-	825	-
Undesignated	176,840	120,292	301,428	114,607	351,640	397,731
Total fund balances	176,840	120,292	301,428	114,607	352,465	397,731
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 176,840</u>	<u>\$ 144,770</u>	<u>\$ 748,067</u>	<u>\$ 129,055</u>	<u>\$ 366,857</u>	<u>\$ 637,623</u>

Special Revenue Funds							
Environ- mental Health	Employment Training and Community Services	Friend of the Court	Family Independence Agency	Head Start	Inmate Concessions	Other Special Revenue Funds	Prosecuting Attorney Grants
\$ 162,737	\$ 260,548	\$ -	\$ 40,404	\$ -	\$ 204,303	\$ 740,599	\$ -
-	-	-	-	-	22,515	108,850	-
130,247	670,309	1,452,604	84,921	284,895	-	498,768	316,919
-	-	-	-	-	-	334,807	-
-	25,617	-	-	-	-	-	-
<u>\$ 292,984</u>	<u>\$ 956,474</u>	<u>\$ 1,452,604</u>	<u>\$ 125,325</u>	<u>\$ 284,895</u>	<u>\$ 226,818</u>	<u>\$ 1,683,024</u>	<u>\$ 316,919</u>
\$ 149	\$ 1,404	\$ 1,112	\$ -	\$ -	\$ 35	\$ 15,477	\$ 219
81,648	143,384	94,551	-	50,904	-	98,466	25,305
-	55,239	1,822	-	-	-	-	250
-	-	928,960	-	152,327	-	-	228,118
-	121,100	-	-	-	-	146,852	-
-	-	-	82,000	-	-	-	-
<u>81,797</u>	<u>321,127</u>	<u>1,026,445</u>	<u>82,000</u>	<u>203,231</u>	<u>35</u>	<u>260,795</u>	<u>253,892</u>
-	25,617	-	-	-	-	-	-
-	-	-	-	-	-	7,868	-
211,187	609,730	426,159	43,325	81,664	226,783	1,414,361	63,027
211,187	635,347	426,159	43,325	81,664	226,783	1,422,229	63,027
<u>\$ 292,984</u>	<u>\$ 956,474</u>	<u>\$ 1,452,604</u>	<u>\$ 125,325</u>	<u>\$ 284,895</u>	<u>\$ 226,818</u>	<u>\$ 1,683,024</u>	<u>\$ 316,919</u>

WASHTENAW COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds (Concluded)
December 31, 2004

	<u>Special Revenue Funds</u>				<u>Debt Service Funds</u>		<u>Total Other Governmental Funds</u>
	<u>Public Health</u>	<u>Safehouse</u>	<u>Sheriff's Grants</u>	<u>Veterans' Trust</u>	<u>County</u>	<u>Building Authority</u>	
<u>ASSETS</u>							
Assets							
Cash and pooled investments	\$ -	\$ -	\$ 688,197	\$ 6,278	\$ 234,423	\$ 12,931	\$ 3,567,015
Accounts receivable	368,632	-	-	-	-	-	649,534
Due from other governments	543,250	-	73,116	-	-	-	4,892,109
Notes receivable	-	-	-	-	-	-	334,807
Prepaid items	-	-	-	-	-	-	25,617
<u>TOTAL ASSETS</u>	<u>\$ 911,882</u>	<u>\$ -</u>	<u>\$ 761,313</u>	<u>\$ 6,278</u>	<u>\$ 234,423</u>	<u>\$ 12,931</u>	<u>\$ 9,469,082</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 160,771	\$ -	\$ 1,958	\$ 65	\$ -	\$ -	\$ 493,201
Accrued liabilities	178,075	-	5,863	90	3,978	-	831,895
Due to other governments	21,330	-	-	-	230,400	-	309,041
Interfund payable	168,132	-	-	-	-	-	1,755,744
Deferred revenue	23,000	-	74,617	-	-	-	365,569
Advances from other governments	-	-	1,200	-	-	-	83,200
Total liabilities	<u>551,308</u>	<u>-</u>	<u>83,638</u>	<u>155</u>	<u>234,378</u>	<u>-</u>	<u>3,838,650</u>
Fund balances							
Reserved for prepaid items	-	-	-	-	-	-	25,617
Unreserved:							
Designated for subsequent year's expenditures	59,471	-	-	-	-	-	68,164
Undesignated	<u>301,103</u>	<u>-</u>	<u>677,675</u>	<u>6,123</u>	<u>45</u>	<u>12,931</u>	<u>5,536,651</u>
Total fund balances	<u>360,574</u>	<u>-</u>	<u>677,675</u>	<u>6,123</u>	<u>45</u>	<u>12,931</u>	<u>5,630,432</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 911,882</u>	<u>\$ -</u>	<u>\$ 761,313</u>	<u>\$ 6,278</u>	<u>\$ 234,423</u>	<u>\$ 12,931</u>	<u>\$ 9,469,082</u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds
Year Ended December 31, 2004

	Special Revenue Funds					
	Aerial Photo	Building Services	Child Care	County Library	Public Works Solid Waste Program	E-911
Revenues						
Licenses and permits	\$ -	\$ 1,817,254	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,192	3,563,207	50,688	4,158	-
Charges for services	38,666	5,638	-	-	-	2,065,631
Fines and forfeits	-	-	-	3,587	-	-
Investment income	3,924	55	-	-	7,213	17,632
Other	-	-	1,195,280	4,305	466,604	34,499
Total revenues	<u>42,590</u>	<u>1,825,139</u>	<u>4,758,487</u>	<u>58,580</u>	<u>477,975</u>	<u>2,117,762</u>
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	1,360,497	-	-	-	1,134,254
Public works	-	-	-	-	420,473	-
Health	-	314,393	-	-	-	-
Social services	-	-	8,956,983	-	-	-
Culture and recreation	-	-	-	737,975	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,674,890</u>	<u>8,956,983</u>	<u>737,975</u>	<u>420,473</u>	<u>1,134,254</u>
Revenues over (under) expenditures	<u>42,590</u>	<u>150,249</u>	<u>(4,198,496)</u>	<u>(679,395)</u>	<u>57,502</u>	<u>983,508</u>
Other financing sources (uses)						
Proceeds of refunding bonds	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	-
Transfers in	-	-	4,509,588	769,492	-	94,572
Transfers out	-	(30,000)	(9,685)	-	-	(1,003,744)
Total other sources (uses)	<u>-</u>	<u>(30,000)</u>	<u>4,499,903</u>	<u>769,492</u>	<u>-</u>	<u>(909,172)</u>
Net change in fund balances	<u>42,590</u>	<u>120,249</u>	<u>301,407</u>	<u>90,097</u>	<u>57,502</u>	<u>74,336</u>
Fund balances, beginning of year	<u>134,250</u>	<u>43</u>	<u>21</u>	<u>24,510</u>	<u>294,963</u>	<u>323,395</u>
Fund balances, end of year	<u><u>\$ 176,840</u></u>	<u><u>\$ 120,292</u></u>	<u><u>\$ 301,428</u></u>	<u><u>\$ 114,607</u></u>	<u><u>\$ 352,465</u></u>	<u><u>\$ 397,731</u></u>

Special Revenue Funds							
Environ- mental Health	Employment Training and Community Services	Friend of the Court	Family Independence Agency	Head Start	Inmate Concessions	Other Special Revenue Funds	Prosecuting Attorney Grants
\$ 1,593,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
879,214	5,961,639	3,742,388	584,475	3,546,194	-	3,086,237	1,563,465
128,200	-	194,688	-	-	-	477,795	-
10,065	-	266	-	-	-	71,399	-
1,833	-	-	-	-	5,880	23,433	-
11,839	345,619	1,551	-	487,852	312,498	266,474	-
<u>2,624,439</u>	<u>6,307,258</u>	<u>3,938,893</u>	<u>584,475</u>	<u>4,034,046</u>	<u>318,378</u>	<u>3,925,338</u>	<u>1,563,465</u>
-	-	4,834,718	-	-	-	1,344,388	-
-	-	-	-	-	-	2,031,808	-
-	-	-	-	-	327,191	110,499	1,737,912
-	-	-	-	-	-	192,728	-
3,748,121	-	-	-	-	-	-	-
-	6,554,059	-	663,280	4,297,101	-	744,413	-
-	-	-	-	-	-	28,673	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,748,121</u>	<u>6,554,059</u>	<u>4,834,718</u>	<u>663,280</u>	<u>4,297,101</u>	<u>327,191</u>	<u>4,452,509</u>	<u>1,737,912</u>
<u>(1,123,682)</u>	<u>(246,801)</u>	<u>(895,825)</u>	<u>(78,805)</u>	<u>(263,055)</u>	<u>(8,813)</u>	<u>(527,171)</u>	<u>(174,447)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,267,300	595,374	1,321,984	49,269	489,684	-	523,439	202,608
-	-	-	-	(169,641)	-	(20,344)	-
<u>1,267,300</u>	<u>595,374</u>	<u>1,321,984</u>	<u>49,269</u>	<u>320,043</u>	<u>-</u>	<u>503,095</u>	<u>202,608</u>
143,618	348,573	426,159	(29,536)	56,988	(8,813)	(24,076)	28,161
67,569	286,774	-	72,861	24,676	235,596	1,446,305	34,866
<u>\$ 211,187</u>	<u>\$ 635,347</u>	<u>\$ 426,159</u>	<u>\$ 43,325</u>	<u>\$ 81,664</u>	<u>\$ 226,783</u>	<u>\$ 1,422,229</u>	<u>\$ 63,027</u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds (Concluded)
Year Ended December 31, 2004

	Special Revenue Funds				Debt Service Funds		Total Other Governmental Funds
	Public Health	Safehouse	Sheriff's Grants	Veterans' Trust	County	Building Authority	
Revenues							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,410,542
Intergovernmental	4,682,235	-	423,514	19,000	135,294	352,406	28,596,306
Charges for services	1,029,479	-	-	-	-	-	3,940,097
Fines and forfeits	-	-	533,992	-	-	-	619,309
Investment income	-	499	13,168	-	143	327	74,107
Other	311,962	-	-	-	-	-	3,438,483
Total revenues	6,023,676	499	970,674	19,000	135,437	352,733	40,078,844
Expenditures							
Current:							
Judicial	-	-	-	-	-	-	6,179,106
General government	-	-	-	-	-	-	2,031,808
Public safety	-	-	394,211	-	-	-	5,064,564
Public works	-	-	-	-	-	-	613,201
Health	9,927,622	-	-	-	-	-	13,990,136
Social services	-	-	-	18,145	-	-	21,233,981
Culture and recreation	-	-	-	-	-	-	766,648
Debt service:							
Principal	-	-	-	-	375,000	3,100,000	3,475,000
Interest and fiscal charges	-	-	-	-	111,610	1,197,760	1,309,370
Bond issuance costs	-	-	-	-	156,522	-	156,522
Total expenditures	9,927,622	-	394,211	18,145	643,132	4,297,760	54,820,336
Revenues over (under) expenditures	(3,903,946)	499	576,463	855	(507,695)	(3,945,027)	(14,741,492)
Other financing sources (uses)							
Proceeds of refunding bonds	-	-	-	-	7,835,000	-	7,835,000
Premium on refunding bonds	-	-	-	-	79,167	-	79,167
Payment to refunding escrow agent	-	-	-	-	-	(7,757,646)	(7,757,646)
Transfers in	4,069,269	-	6,805	-	351,213	11,702,933	25,953,530
Transfers out	-	(24,972)	-	-	(7,757,645)	-	(9,016,031)
Total other sources (uses)	4,069,269	(24,972)	6,805	-	507,735	3,945,287	17,094,020
Net change in fund balances	165,323	(24,473)	583,268	855	40	260	2,352,528
Fund balances, beginning of year	195,251	24,473	94,407	5,268	5	12,671	3,277,904
Fund balances, end of year	<u>\$ 360,574</u>	<u>\$ -</u>	<u>\$ 677,675</u>	<u>\$ 6,123</u>	<u>\$ 45</u>	<u>\$ 12,931</u>	<u>\$ 5,630,432</u>

WASHTENAW COUNTY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
Year Ended December 31, 2004

	Aerial Photo			Building Services		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ 1,754,402	\$ 1,817,254	\$ 62,852
Intergovernmental	-	-	-	-	2,192	2,192
Charges for services	70,000	38,666	(31,334)	600	5,638	5,038
Fines and forfeits	-	-	-	-	-	-
Investment income	-	3,924	3,924	-	55	55
Other	-	-	-	-	-	-
Total revenues	70,000	42,590	(27,410)	1,755,002	1,825,139	70,137
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	70,000	-	70,000	-	-	-
Public safety	-	-	-	1,391,365	1,360,497	30,868
Public works	-	-	-	-	-	-
Health	-	-	-	333,637	314,393	19,244
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	70,000	-	70,000	1,725,002	1,674,890	50,112
Revenues over (under) expenditures	-	42,590	42,590	30,000	150,249	120,249
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(30,000)	(30,000)	-
Total other sources (uses)	-	-	-	(30,000)	(30,000)	-
Net change in fund balances	-	42,590	42,590	-	120,249	120,249
Fund balances, beginning of year	134,250	134,250	-	43	43	-
Fund balances, end of year	\$ 134,250	\$ 176,840	\$ 42,590	\$ 43	\$ 120,292	\$ 120,249

WASHTENAW COUNTY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
Year Ended December 31, 2004

	Child Care			County Library		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,271,881	3,563,207	(708,674)	50,636	50,688	52
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	1,100	3,587	2,487
Investment income	-	-	-	-	-	-
Other	1,348,973	1,195,280	(153,693)	-	4,305	4,305
Total revenues	5,620,854	4,758,487	(862,367)	51,736	58,580	6,844
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	10,027,500	8,956,983	1,070,517	-	-	-
Culture and recreation	-	-	-	743,735	737,975	5,760
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	10,027,500	8,956,983	1,070,517	743,735	737,975	5,760
Revenues over (under) expenditures	(4,406,646)	(4,198,496)	208,150	(691,999)	(679,395)	12,604
Other financing sources (uses)						
Transfers in	4,421,582	4,509,588	88,006	691,999	769,492	77,493
Transfers out	(14,936)	(9,685)	5,251	-	-	-
Total other sources (uses)	4,406,646	4,499,903	93,257	691,999	769,492	77,493
Net change in fund balances	-	301,407	301,407	-	90,097	90,097
Fund balances, beginning of year	21	21	-	24,510	24,510	-
Fund balances, end of year	\$ 21	\$ 301,428	\$ 301,407	\$ 24,510	\$ 114,607	\$ 90,097

WASHTENAW COUNTY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
Year Ended December 31, 2004

	Public Works Solid Waste Program			E-911		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	4,158	4,158	-	-	-
Charges for services	-	-	-	2,100,000	2,065,631	(34,369)
Fines and forfeits	-	-	-	-	-	-
Investment income	-	7,213	7,213	-	17,632	17,632
Other	382,175	466,604	84,429	36,000	34,499	(1,501)
Total revenues	382,175	477,975	95,800	2,136,000	2,117,762	(18,238)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	1,232,946	1,134,254	98,692
Public works	383,000	420,473	(37,473)	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	383,000	420,473	(37,473)	1,232,946	1,134,254	98,692
Revenues over (under) expenditures	(825)	57,502	58,327	903,054	983,508	80,454
Other financing sources (uses)						
Transfers in	-	-	-	105,000	94,572	(10,428)
Transfers out	-	-	-	(1,008,054)	(1,003,744)	4,310
Total other sources (uses)	-	-	-	(903,054)	(909,172)	(6,118)
Net change in fund balances	(825)	57,502	58,327	-	74,336	74,336
Fund balances, beginning of year	294,963	294,963	-	323,395	323,395	-
Fund balances, end of year	\$ 294,138	\$ 352,465	\$ 58,327	\$ 323,395	\$ 397,731	\$ 74,336

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2004

	Environmental Health			Employment Training and Community Services		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ 1,607,088	\$ 1,593,288	\$ (13,800)	\$ -	\$ -	\$ -
Intergovernmental	1,023,320	879,214	(144,106)	7,284,788	5,961,639	(1,323,149)
Charges for services	70,000	128,200	58,200	-	-	-
Fines and forfeits	8,926	10,065	1,139	-	-	-
Investment income	-	1,833	1,833	-	-	-
Other	23,399	11,839	(11,560)	137,644	345,619	207,975
Total revenues	2,732,734	2,624,439	(108,295)	7,422,432	6,307,258	(1,115,174)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	3,999,646	3,748,121	251,525	-	-	-
Social services	-	-	-	8,017,806	6,554,059	1,463,747
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	3,999,646	3,748,121	251,525	8,017,806	6,554,059	1,463,747
Revenues over (under) expenditures	(1,266,912)	(1,123,682)	143,230	(595,374)	(246,801)	348,573
Other financing sources (uses)						
Transfers in	1,267,299	1,267,300	1	595,374	595,374	-
Transfers out	-	-	-	-	-	-
Total other sources (uses)	1,267,299	1,267,300	1	595,374	595,374	-
Net change in fund balances	387	143,618	143,231	-	348,573	348,573
Fund balances, beginning of year	67,569	67,569	-	286,774	286,774	-
Fund balances, end of year	\$ 67,956	\$ 211,187	\$ 143,231	\$ 286,774	\$ 635,347	\$ 348,573

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2004

	Friend of the Court			Family Independence Agency		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,356,638	3,742,388	385,750	800,000	584,475	(215,525)
Charges for services	185,000	194,688	9,688	-	-	-
Fines and forfeits	-	266	266	-	-	-
Investment income	-	-	-	-	-	-
Other	-	1,551	1,551	-	-	-
Total revenues	3,541,638	3,938,893	397,255	800,000	584,475	(215,525)
Expenditures						
Current:						
Judicial	4,863,623	4,834,718	28,905	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	854,109	663,280	190,829
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	4,863,623	4,834,718	28,905	854,109	663,280	190,829
Revenues over (under) expenditures	(1,321,985)	(895,825)	426,160	(54,109)	(78,805)	(24,696)
Other financing sources (uses)						
Transfers in	1,321,985	1,321,984	(1)	54,109	49,269	(4,840)
Transfers out	-	-	-	-	-	-
Total other sources (uses)	1,321,985	1,321,984	(1)	54,109	49,269	(4,840)
Net change in fund balances	-	426,159	426,159	-	(29,536)	(29,536)
Fund balances, beginning of year	-	-	-	72,861	72,861	-
Fund balances, end of year	\$ -	\$ 426,159	\$ 426,159	\$ 72,861	\$ 43,325	\$ (29,536)

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2004

	Head Start			Inmate Concessions		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,558,908	3,546,194	(12,714)	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	-	-	-	-	5,880	5,880
Other	432,744	487,852	55,108	270,972	312,498	41,526
Total revenues	3,991,652	4,034,046	42,394	270,972	318,378	47,406
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	270,972	327,191	(56,219)
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	4,493,359	4,297,101	196,258	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	4,493,359	4,297,101	196,258	270,972	327,191	(56,219)
Revenues over (under) expenditures	(501,707)	(263,055)	238,652	-	(8,813)	(8,813)
Other financing sources (uses)						
Transfers in	555,628	489,684	(65,944)	-	-	-
Transfers out	(53,921)	(169,641)	(115,720)	-	-	-
Total other sources (uses)	501,707	320,043	(181,664)	-	-	-
Net change in fund balances	-	56,988	56,988	-	(8,813)	(8,813)
Fund balances, beginning of year	24,676	24,676	-	235,596	235,596	-
Fund balances, end of year	\$ 24,676	\$ 81,664	\$ 56,988	\$ 235,596	\$ 226,783	\$ (8,813)

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2004

	Other Special Revenue Funds			Prosecuting Attorney Grants		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,989,957	3,086,237	(2,903,720)	2,260,146	1,563,465	(696,681)
Charges for services	257,400	477,795	220,395	-	-	-
Fines and forfeits	8,500	71,399	62,899	-	-	-
Investment income	-	23,433	23,433	-	-	-
Other	1,578,900	266,474	(1,312,426)	-	-	-
Total revenues	7,834,757	3,925,338	(3,909,419)	2,260,146	1,563,465	(696,681)
Expenditures						
Current:						
Judicial	1,074,552	1,344,388	(269,836)	-	-	-
General government	3,594,843	2,031,808	1,563,035	-	-	-
Public safety	1,255,135	110,499	1,144,636	2,457,750	1,737,912	719,838
Public works	1,163,098	192,728	970,370	-	-	-
Health	660,000	-	660,000	-	-	-
Social services	1,342,680	744,413	598,267	-	-	-
Culture and recreation	30,000	28,673	1,327	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	9,120,308	4,452,509	4,667,799	2,457,750	1,737,912	719,838
Revenues over (under) expenditures	(1,285,551)	(527,171)	758,380	(197,604)	(174,447)	23,157
Other financing sources (uses)						
Transfers in	1,151,015	523,439	(627,576)	197,604	202,608	5,004
Transfers out	-	(20,344)	(20,344)	-	-	-
Total other sources (uses)	1,151,015	503,095	(647,920)	197,604	202,608	5,004
Net change in fund balances	(134,536)	(24,076)	110,460	-	28,161	28,161
Fund balances, beginning of year	1,446,305	1,446,305	-	34,866	34,866	-
Fund balances, end of year	\$ 1,311,769	\$ 1,422,229	\$ 110,460	\$ 34,866	\$ 63,027	\$ 28,161

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2004

	Public Health			Safehouse		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,975,828	4,682,235	706,407	-	-	-
Charges for services	910,449	1,029,479	119,030	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	-	-	-	-	499	499
Other	218,250	311,962	93,712	-	-	-
Total revenues	5,104,527	6,023,676	919,149	-	499	499
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	8,941,019	9,927,622	(986,603)	-	-	-
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	8,941,019	9,927,622	(986,603)	-	-	-
Revenues over (under) expenditures	(3,836,492)	(3,903,946)	(67,454)	-	499	499
Other financing sources (uses)						
Transfers in	3,836,492	4,069,269	232,777	-	-	-
Transfers out	-	-	-	-	(24,972)	(24,972)
Total other sources (uses)	3,836,492	4,069,269	232,777	-	(24,972)	(24,972)
Net change in fund balances	-	165,323	165,323	-	(24,473)	(24,473)
Fund balances, beginning of year	195,251	195,251	-	24,473	24,473	-
Fund balances, end of year	\$ 195,251	\$ 360,574	\$ 165,323	\$ 24,473	\$ -	\$ (24,473)

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded) Year Ended December 31, 2004

	Sheriff's Grants			Veterans' Trust		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	419,216	423,514	4,298	29,264	19,000	(10,264)
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	533,992	533,992	-	-	-
Investment income	-	13,168	13,168	-	-	-
Other	-	-	-	-	-	-
Total revenues	419,216	970,674	551,458	29,264	19,000	(10,264)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	427,795	394,211	33,584	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	29,264	18,145	11,119
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	427,795	394,211	33,584	29,264	18,145	11,119
Revenues over (under) expenditures	(8,579)	576,463	585,042	-	855	855
Other financing sources (uses)						
Transfers in	8,579	6,805	(1,774)	-	-	-
Transfers out	-	-	-	-	-	-
Total other sources (uses)	8,579	6,805	(1,774)	-	-	-
Net change in fund balances	-	583,268	583,268	-	855	855
Fund balances, beginning of year	94,407	94,407	-	5,268	5,268	-
Fund balances, end of year	\$ 94,407	\$ 677,675	\$ 583,268	\$ 5,268	\$ 6,123	\$ 855

WASHTENAW COUNTY
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2004

	<u>Property Foreclosure</u>	<u>Brownfield Revolving Loan Fund</u>	<u>Principal Residence Exemption</u>	<u>Total</u>
Assets				
Current assets:				
Cash and pooled investments	\$ 1,277,402	\$ -	\$ 16,232	\$ 1,293,634
Interfund receivable	270	-	-	270
Due from other governments	-	270	-	270
	<u>-</u>	<u>270</u>	<u>-</u>	<u>270</u>
Total assets	<u>1,277,672</u>	<u>270</u>	<u>16,232</u>	<u>1,294,174</u>
Liabilities				
Current liabilities:				
Accrued liabilities	1,111	-	-	1,111
Interfund payable	-	270	-	270
	<u>-</u>	<u>270</u>	<u>-</u>	<u>270</u>
Total current liabilities	1,111	270	-	1,381
Long-term liabilities -				
Accrued compensated absences	5,648	-	-	5,648
	<u>5,648</u>	<u>-</u>	<u>-</u>	<u>5,648</u>
Total liabilities	<u>6,759</u>	<u>270</u>	<u>-</u>	<u>7,029</u>
Net assets - unrestricted	<u><u>\$ 1,270,913</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,232</u></u>	<u><u>\$ 1,287,145</u></u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended December 31, 2004

	<u>Property Foreclosure</u>	<u>Brownfield Revolving Loan Fund</u>	<u>Principal Residence Exemption</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 284,980	\$ -	\$ -	\$ 284,980
Intergovernmental revenue	-	11,391	-	11,391
Investment income	-	-	16,123	16,123
	<u>284,980</u>	<u>11,391</u>	<u>16,123</u>	<u>312,494</u>
Total operating revenues	<u>284,980</u>	<u>11,391</u>	<u>16,123</u>	<u>312,494</u>
Operating expenses				
Personnel services	67,827	11,371	-	79,198
Contractual services	67,985	-	-	67,985
Supplies	18,815	20	-	18,835
Telephone	235	-	-	235
Equipment repair and rental	2,803	-	-	2,803
Other	32,091	-	-	32,091
	<u>189,756</u>	<u>11,391</u>	<u>-</u>	<u>201,147</u>
Total operating expenses	<u>189,756</u>	<u>11,391</u>	<u>-</u>	<u>201,147</u>
Operating income	95,224	-	16,123	111,347
Non-operating income -				
Investment earnings	<u>30,908</u>	<u>-</u>	<u>109</u>	<u>31,017</u>
Change in net assets	126,132	-	16,232	142,364
Net assets, beginning of year	<u>1,144,781</u>	<u>-</u>	<u>-</u>	<u>1,144,781</u>
Net assets, end of year	<u><u>\$ 1,270,913</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,232</u></u>	<u><u>\$ 1,287,145</u></u>

WASHTENAW COUNTY
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2004

	Property Foreclosure	Brownfield Revolving Loan Fund	Principal Residence Exemption	Total
Cash flows from operating activities				
Cash received from customers	\$ 284,980	\$ 11,121	\$ 16,123	\$ 312,224
Cash payments to employees	(68,515)	(11,101)	-	(79,616)
Cash payments to suppliers	(121,929)	(20)	-	(121,949)
Net cash provided by operating activities	94,536	-	16,123	110,659
Cash flows from investing activities				
Investment earnings (loss)	30,908	-	109	31,017
Net increase(decrease) in cash and cash equivalents	125,444	-	16,232	141,676
Cash and cash equivalents, beginning of year	1,151,958	-	-	1,151,958
Cash and cash equivalents, end of year	\$ 1,277,402	\$ -	\$ 16,232	\$ 1,293,634
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 95,224	\$ -	\$ 16,123	\$ 111,347
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in assets and liabilities:				
Interfund receivable	(270)	-	-	(270)
Due from other governments	-	(270)	-	(270)
Accrued liabilities	(418)	-	-	(418)
Interfund payable	-	270	-	270
Net cash provided by operating activities	\$ 94,536	\$ -	\$ 16,123	\$ 110,659

WASHTENAW COUNTY
Combining Statement of Net Assets
Internal Service Funds
December 31, 2004

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving
Assets			
Current assets:			
Cash and pooled investments	\$ 899,960	\$ 165,238	\$ 138,544
Accounts receivable	227,235	-	214,403
Interfund receivable	-	-	-
Due from other governments	1,322,761	-	154
Inventories	-	63,200	-
Prepaid items	-	-	-
Total current assets	2,449,956	228,438	353,101
Noncurrent assets:			
Capital assets, net	-	2,378,405	-
Total assets	2,449,956	2,606,843	353,101
Liabilities			
Current liabilities:			
Accounts payable	9,454	28,260	145,535
Accrued liabilities	47,058	5,522	6,541
Interfund payable	-	-	-
Interest payable	203	1,569	136
Total current liabilities	56,715	35,351	152,212
Long-term liabilities:			
Accrued compensated absences	189,591	16,547	-
Deferred revenue	137,745	-	-
Advances from other funds	1,805,233	-	75,000
Total long-term liabilities	2,132,569	16,547	75,000
Total liabilities	2,189,284	51,898	227,212
Net assets			
Invested in capital assets, net of related debt	-	2,378,405	-
Unrestricted	260,672	176,540	125,889
Total net assets	\$ 260,672	\$ 2,554,945	\$ 125,889

General Services Revolving	Insurance Revolving	Medical Insurance Revolving	Telephone Revolving	Worker's Compensation Revolving	Total
\$ -	\$ 63,203	\$ 1,642,803	\$ -	\$ 357,371	\$ 3,267,119
-	-	-	-	77,000	518,638
-	-	-	-	88,023	88,023
5,975	25,000	-	820	-	1,354,710
22,963	-	-	-	-	86,163
2,446	667,188	242,863	-	-	912,497
31,384	755,391	1,885,666	820	522,394	6,227,150
324,115	-	-	-	-	2,702,520
355,499	755,391	1,885,666	820	522,394	8,929,670
44,518	-	-	-	12,974	240,741
-	594,408	822,000	-	397,867	1,873,396
87,203	-	-	820	-	88,023
612	948	-	-	-	3,468
132,333	595,356	822,000	820	410,841	2,205,628
-	-	-	-	-	206,138
-	-	-	-	-	137,745
-	-	-	-	-	1,880,233
-	-	-	-	-	2,224,116
132,333	595,356	822,000	820	410,841	4,429,744
324,115	-	-	-	-	2,702,520
(100,949)	160,035	1,063,666	-	111,553	1,797,406
\$ 223,166	\$ 160,035	\$ 1,063,666	\$ -	\$ 111,553	\$ 4,499,926

WASHTENAW COUNTY
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2004

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving
Operating revenues			
Charges for services	\$ 7,158,774	\$ 2,012,232	\$ 2,616,629
Operating expenses			
Personnel services	2,280,013	253,786	-
Contractual services	237,925	8,252	14,325
Supplies	384,834	544,175	-
Occupancy	2,054,860	273,038	-
Telephone	34,281	652	-
Equipment repair and rental	199,878	180,881	-
Building repair and rental	348,555	-	-
Benefit payments and insurance premiums	463	-	2,476,935
Other	880,303	-	126,293
Depreciation	-	611,393	-
Total operating expenses	6,421,112	1,872,177	2,617,553
Operating income (loss)	737,662	140,055	(924)
Nonoperating revenues (expenses)			
Interest income	51,022	15,502	5,391
Interest expense	(4,999)	(11,086)	(136)
Gain (loss) on sale of capital assets	-	(14,227)	-
Total nonoperating revenues (expenses)	46,023	(9,811)	5,255
Income (loss) before transfers	783,685	130,244	4,331
Transfers in	566,115	-	-
Transfers out	(1,104,870)	-	-
Change in net assets	244,930	130,244	4,331
Net assets, beginning of year	15,742	2,424,701	121,558
Net assets, end of year	<u>\$ 260,672</u>	<u>\$ 2,554,945</u>	<u>\$ 125,889</u>

General Services Revolving	Insurance Revolving	Medical Insurance Revolving	Telephone Revolving	Worker's Compensation Revolving	Total
<u>\$ 584,354</u>	<u>\$ 1,993,534</u>	<u>\$ 13,093,115</u>	<u>\$ 523,745</u>	<u>\$ 765,444</u>	<u>\$ 28,747,827</u>
-	197,247	-	-	67,761	2,798,807
-	559,280	-	-	45,863	865,645
379,797	197	-	-	206	1,309,209
-	31,134	-	-	-	2,359,032
-	11,944	-	523,745	-	570,622
102,018	-	-	-	222,164	704,941
-	-	-	-	-	348,555
-	1,187,653	12,597,626	-	400,559	16,663,236
-	242	-	-	-	1,006,838
<u>116,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,684</u>
<u>598,106</u>	<u>1,987,697</u>	<u>12,597,626</u>	<u>523,745</u>	<u>736,553</u>	<u>27,354,569</u>
<u>(13,752)</u>	<u>5,837</u>	<u>495,489</u>	<u>-</u>	<u>28,891</u>	<u>1,393,258</u>
2,411	10,003	34,334	-	12,696	131,359
(4,270)	(7,754)	-	-	-	(28,245)
<u>415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,812)</u>
<u>(1,444)</u>	<u>2,249</u>	<u>34,334</u>	<u>-</u>	<u>12,696</u>	<u>89,302</u>
(15,196)	8,086	529,823	-	41,587	1,482,560
-	150,000	-	-	-	716,115
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,104,870)</u>
(15,196)	158,086	529,823	-	41,587	1,093,805
<u>238,362</u>	<u>1,949</u>	<u>533,843</u>	<u>-</u>	<u>69,966</u>	<u>3,406,121</u>
<u>\$ 223,166</u>	<u>\$ 160,035</u>	<u>\$ 1,063,666</u>	<u>\$ -</u>	<u>\$ 111,553</u>	<u>\$ 4,499,926</u>

WASHTENAW COUNTY
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2004

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving	General Services Revolving
Cash flows from operating activities				
Cash received from customers	\$ 1,286,566	\$ -	\$ 7,306	\$ (7,632)
Cash received from interfund services	6,682,375	2,507,232	2,599,664	471,038
Cash payments to employees	(2,375,776)	(256,540)	(126,293)	-
Cash payments to suppliers	(4,773,305)	(708,068)	(2,327,503)	(410,699)
Cash payments for interfund services	(1,257,459)	(768,474)	-	-
Net cash provided (used) by operating activities	(437,599)	774,150	153,174	52,707
Cash flows from noncapital financing activities				
Transfers in	566,115	-	-	-
Transfers out	(1,104,870)	-	-	-
Net cash provided (used) by noncapital financing activities	(538,755)	-	-	-
Cash flows from capital and related financing activities				
Advances from other funds	874,726	-	(125,000)	-
Interest paid on long-term debt	-	-	-	(4,270)
Proceeds from sale of equipment	-	82,488	-	1,100
Payments for equipment acquisitions	-	(741,466)	-	(182,472)
Net cash provided (used) by capital and related financing activities	874,726	(658,978)	(125,000)	(185,642)
Cash flows from investing activities				
Interest on investments	46,023	4,416	5,255	2,411
Net increase (decrease) in cash and pooled investments	(55,605)	119,588	33,429	(130,524)
Cash and pooled investments, beginning of year	955,565	45,650	105,115	130,524
Cash and pooled investments, end of year	<u>\$ 899,960</u>	<u>\$ 165,238</u>	<u>\$ 138,544</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 737,662	\$ 140,055	\$ (924)	\$ (13,752)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	611,393	-	116,291
Changes in assets and liabilities:				
Accounts receivable	38,655	-	5,117	-
Due from other funds	208,645	495,000	3,000	-
Interfund receivable	-	-	-	-
Due from other governments	562,867	-	(105)	(4,869)
Inventories	-	(1,900)	-	28,429
Prepaid items	-	-	85,757	(2,446)
Accounts payable	4,849	27,356	79,671	44,499
Accrued liabilities	(95,763)	(2,754)	(342)	-
Interfund payable	-	-	-	87,203
Due to other funds	(1,223,381)	(495,000)	(19,000)	(202,648)
Deferred revenue	(671,133)	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (437,599)</u>	<u>\$ 774,150</u>	<u>\$ 153,174</u>	<u>\$ 52,707</u>

<u>Insurance Revolving</u>	<u>Medical Insurance Revolving</u>	<u>Telephone Revolving</u>	<u>Worker's Compensation Revolving</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,286,240
2,643,534	14,053,553	523,745	693,743	30,174,884
(197,247)	-	-	(67,761)	(3,023,617)
(1,556,949)	(12,621,308)	(523,745)	(780,406)	(23,701,983)
(978,397)	-	-	-	(3,004,330)
(89,059)	1,432,245	-	(154,424)	1,731,194
150,000	-	-	-	716,115
-	-	-	-	(1,104,870)
150,000	-	-	-	(388,755)
-	-	-	-	749,726
-	-	-	-	(4,270)
-	-	-	-	83,588
-	-	-	-	(923,938)
-	-	-	-	(94,894)
2,249	34,334	-	12,696	107,384
63,190	1,466,579	-	(141,728)	1,354,929
13	176,224	-	499,099	1,912,190
<u>\$ 63,203</u>	<u>\$ 1,642,803</u>	<u>\$ -</u>	<u>\$ 357,371</u>	<u>\$ 3,267,119</u>
\$ 5,837	\$ 495,489	\$ -	\$ 28,891	\$ 1,393,258
-	-	-	-	727,684
175,000	26,538	-	-	245,310
650,000	933,900	-	16,322	2,306,867
-	-	-	(88,023)	(88,023)
-	-	(498)	-	557,395
-	-	-	-	26,529
76,838	(7,682)	-	-	152,467
(1,177)	-	-	(22,125)	133,073
(61,657)	(16,000)	-	(89,489)	(266,005)
-	-	820	-	88,023
(933,900)	-	(322)	-	(2,874,251)
-	-	-	-	(671,133)
<u>\$ (89,059)</u>	<u>\$ 1,432,245</u>	<u>\$ -</u>	<u>\$ (154,424)</u>	<u>\$ 1,731,194</u>

WASHTENAW COUNTY
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
December 31, 2004

	Employees' Retirement System		
	Pension	Health	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments:			
Common stocks	97,988,916	473,954	98,462,870
Mortgages and asset backed securities	-	-	-
United States treasury strips	8,396,529	40,612	8,437,141
Other United States treasury securities	1,378,878	6,669	1,385,547
Other United States government securities	25,118,884	121,495	25,240,379
Corporate bonds and notes	15,648,469	75,689	15,724,158
Mutual funds	-	-	-
Short-term investments	8,237,517	39,843	8,277,360
Accrued interest and dividends	497,112	2,404	499,516
	<hr/>	<hr/>	<hr/>
Total assets	157,266,305	760,666	158,026,971
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	104,590	-	104,590
Accrued liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	104,590	-	104,590
	<hr/>	<hr/>	<hr/>
Net assets held in trust for pension and health benefits	<u>\$ 157,161,715</u>	<u>\$ 760,666</u>	<u>\$ 157,922,381</u>

Money Purchase Pension Plan	Voluntary Employees Beneficiary Association	Severance Benefits	Unemployment Benefits	Total
\$ -	\$ -	\$ 341,528	\$ 375,860	\$ 717,388
-	22,217,894	-	-	120,680,764
-	1,308,264	-	-	1,308,264
-	392,506	-	-	8,829,647
-	-	-	-	1,385,547
-	584,206	-	-	25,824,585
-	163,620	-	-	15,887,778
41,098,710	5,601,460	-	-	46,700,170
-	2,168,785	-	-	10,446,145
-	-	806	872	501,194
<u>41,098,710</u>	<u>32,436,735</u>	<u>342,334</u>	<u>376,732</u>	<u>232,281,482</u>
-	-	-	-	104,590
-	18,535	12,482	372,776	403,793
-	18,535	12,482	372,776	508,383
<u>\$ 41,098,710</u>	<u>\$ 32,418,200</u>	<u>\$ 329,852</u>	<u>\$ 3,956</u>	<u>\$ 231,773,099</u>

WASHTENAW COUNTY
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Year Ended December 31, 2004

	Employees' Retirement System			Money Purchase Pension Plan
	Pension	Health	Total	
Additions				
Investment income:				
<i>From investing activities:</i>				
Net appreciation in fair value of investments	\$ 5,099,470	\$ 72,608	\$ 5,172,078	\$ 2,508,474
Interest and dividends	5,464,063	61,244	5,525,307	886,064
Investment management fees	(658,300)	(7,379)	(665,679)	-
Net income from investing activities	9,905,233	126,473	10,031,706	3,394,538
<i>From securities lending activities:</i>				
Gross earnings	156,189	-	156,189	-
Borrower rebates	(132,409)	-	(132,409)	-
Securities fees	(9,448)	-	(9,448)	-
Net income from securities lending activities	14,332	-	14,332	-
Total net investment income	9,919,565	126,473	10,046,038	3,394,538
Contributions:				
Employer	2,451,764	-	2,451,764	3,149,153
Employees	706,303	-	706,303	2,814,747
Total contributions	3,158,067	-	3,158,067	5,963,900
Other additions	-	-	-	67,962
Total additions	13,077,632	126,473	13,204,105	9,426,400
Deductions				
Participant benefits	12,173,590	984,250	13,157,840	2,244,493
Participant refunds	90,941	-	90,941	-
Administrative expenses	346,809	-	346,809	59,456
Total deductions	12,611,340	984,250	13,595,590	2,303,949
Net additions (deductions) to net assets held in trust	466,292	(857,777)	(391,485)	7,122,451
Net assets held in trust for benefits:				
Beginning of year	156,695,423	1,618,443	158,313,866	33,976,259
End of year	\$ 157,161,715	\$ 760,666	\$ 157,922,381	\$ 41,098,710

Voluntary Employees Beneficiary Association	Severance Benefits	Unemployment Benefits	Total
\$ 2,683,828	\$ -	\$ -	\$ 10,364,380
709,298	7,139	8,848	7,136,656
(182,336)	-	-	(848,015)
<u>3,210,790</u>	<u>7,139</u>	<u>8,848</u>	<u>16,653,021</u>
-	-	-	156,189
-	-	-	(132,409)
-	-	-	(9,448)
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,332</u>
<u>3,210,790</u>	<u>7,139</u>	<u>8,848</u>	<u>16,667,353</u>
4,788,478	1,065,317	262,821	11,717,533
-	-	-	3,521,050
<u>4,788,478</u>	<u>1,065,317</u>	<u>262,821</u>	<u>15,238,583</u>
-	-	-	67,962
<u>7,999,268</u>	<u>1,072,456</u>	<u>271,669</u>	<u>31,973,898</u>
3,128,312	800,314	372,776	19,703,735
-	-	-	90,941
<u>87,798</u>	<u>-</u>	<u>-</u>	<u>494,063</u>
<u>3,216,110</u>	<u>800,314</u>	<u>372,776</u>	<u>20,288,739</u>
4,783,158	272,142	(101,107)	11,685,159
<u>27,635,042</u>	<u>57,710</u>	<u>105,063</u>	<u>220,087,940</u>
<u>\$ 32,418,200</u>	<u>\$ 329,852</u>	<u>\$ 3,956</u>	<u>\$ 231,773,099</u>

WASHTENAW COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended December 31, 2004

	Balance January 1, 2004	Additions	(Deductions)	Balance December 31, 2004
<u>Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 17,554,558	\$ 305,861,208	\$ (304,313,763)	\$ 19,102,003
Liabilities				
Undistributed receipts	\$ 17,554,558	\$ 305,861,208	\$ (304,313,763)	\$ 19,102,003

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Comparative Schedules by Source
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Capital assets used in the operation of governmental funds		
Land	\$ 14,602,684	\$ 12,267,428
Buildings	101,444,010	100,467,703
Improvements other than buildings	11,072,065	10,953,427
Machinery and equipment	8,822,097	8,736,137
Construction in progress	<u>2,183,486</u>	<u>-</u>
Total capital assets	<u>\$ 138,124,342</u>	<u>\$ 132,424,695</u>
 Investment in general capital assets by source		
General Fund	\$ 12,466,175	\$ 12,311,282
Special revenue funds	7,427,988	7,378,282
Capital projects funds	<u>118,230,179</u>	<u>112,735,131</u>
Total investment in capital assets	<u>\$ 138,124,342</u>	<u>\$ 132,424,695</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Schedule by Function and Activity
December 31, 2004

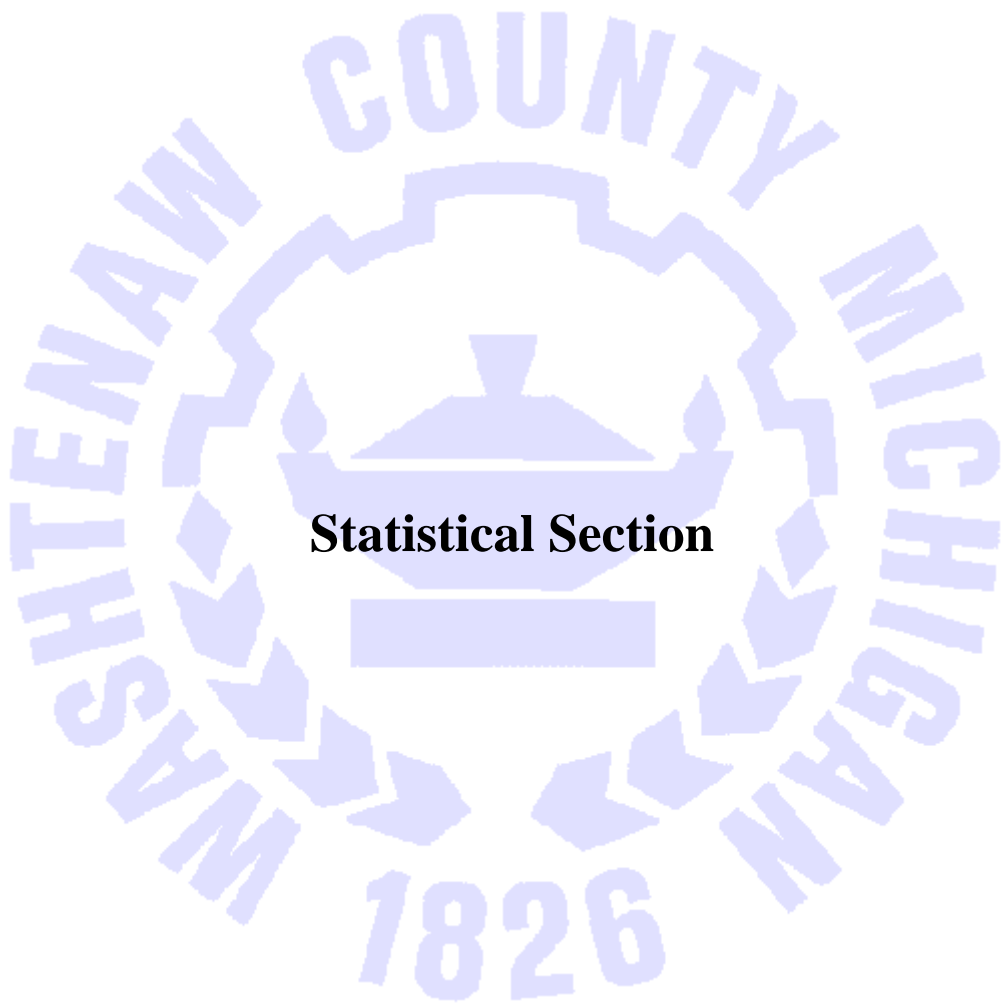
Function / Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Process	Total
Legislative - Board of Commissioners	\$ -	\$ 1,331,593	\$ 2,356	\$ -	\$ -	\$ 1,333,949
Judicial:						
Circuit/Probate/Friend of the Court	-	3,559,340	41,481	358,732	620,067	4,579,620
District court	-	7,635,653	137,430	-	111,929	7,885,012
Juvenile court	-	598,928	109,750	26,118	-	734,796
General government:						
Main county building	635,133	3,756,482	1,939,001	632,956	-	6,963,572
Administration building	34,000	608,341	258,268	2,646,089	71,510	3,618,208
Service center	40,000	1,871,726	926,619	27,012	8,267	2,873,624
Fourth Avenue building	5,000	4,079,408	63,908	3,863,580	11,919	8,023,815
North Main building	-	6,810,803	32,606	8,823	128,608	6,980,840
Library learning resource center	-	793,080	-	-	28,742	821,822
Public safety:						
Corrections enter	-	13,687,878	8,718	468,442	17,747	14,182,785
Juvenile detention building	-	10,668,886	36,115	-	22,176	10,727,177
E-911 tower	-	-	739,413	138,757	-	878,170
Human services:						
County health programs	-	8,337,731	25,479	116,934	34,731	8,514,875
Mental health programs	-	320,995	25,776	170,966	-	517,737
Culture and recreation:						
Parks and recreation	10,872,403	16,379,750	6,600,544	315,425	926,765	35,094,887
County library	-	503,220	-	5,545	-	508,765
Social services:						
O'Brien center	-	175,011	15,039	-	-	190,050
Ypsilanti social services	167,661	2,893,855	86,967	16,833	89,011	3,254,327
Community services agency	-	-	-	25,885	-	25,885
Ann Arbor FIA building	1,435,175	1,688,483	12,335	-	98,264	3,234,257
Ypsilanti FIA building	912,419	3,473,998	9,873	-	-	4,396,290
Shelter - 310-318 Huron	355,093	5,970,444	-	-	2,452	6,327,989
Head Start building	145,800	3,046,469	-	-	11,298	3,203,567
Other agencies	-	3,251,936	387	-	-	3,252,323
Total	\$ 14,602,684	\$ 101,444,010	\$ 11,072,065	\$ 8,822,097	\$ 2,183,486	\$ 138,124,342

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Schedule of Changes by Function and Activity
Year Ended December 31, 2004

Function / Activity	January 1, 2004	Additions	Deductions	December 31, 2004
Legislative - Board of Commissioners	\$ 1,333,949	\$ -	\$ -	\$ 1,333,949
Judicial:				
Circuit/Probate/Friend of the Court	3,961,163	949,668	331,211	4,579,620
District court	7,759,634	125,378	-	7,885,012
Juvenile court	722,641	12,155	-	734,796
General government:				
Main county building	6,963,572	-	-	6,963,572
Administration building	3,501,226	132,813	15,831	3,618,208
Service center	2,865,357	8,267	-	2,873,624
Fourth Avenue building	7,375,640	765,332	117,157	8,023,815
North Main building	6,849,044	137,373	5,577	6,980,840
Library learning resource center	768,301	53,521	-	821,822
Public safety:				
Corrections enter	14,040,871	157,524	15,610	14,182,785
Juvenile detention building	10,736,478	22,176	31,477	10,727,177
E-911 tower	878,170	-	-	878,170
Human services:				
County health programs	8,397,116	117,759	-	8,514,875
Mental health programs	744,612	-	226,875	517,737
Culture and recreation:				
Parks and recreation	31,273,414	3,848,273	26,800	35,094,887
County library	508,765	-	-	508,765
Social services:				
O'Brien center	190,050	-	-	190,050
Ypsilanti social services	3,139,606	114,721	-	3,254,327
Community services agency	25,885	-	-	25,885
Ann Arbor FIA building	3,135,993	98,264	-	3,234,257
Ypsilanti FIA building	4,396,290	-	-	4,396,290
Shelter - 310-318 Huron	6,244,158	83,831	-	6,327,989
Shelter - North Main	287,716	-	287,716	-
Head Start building	3,167,455	36,112	-	3,203,567
Other agencies	3,157,589	94,734	-	3,252,323
Total	\$ 132,424,695	\$ 6,757,901	\$ 1,058,254	\$ 138,124,342

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



Statistical Section

WASHTENAW COUNTY

GOVERNMENT-WIDE REVENUES

(UNAUDITED)

TEN YEARS ENDED DECEMBER 31, 2004 (A)

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Grants and Contributions Not Restricted to Specific Programs	Investment Income	Gain on Sale of Capital Assets	Transfers - Internal Activities	
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	30,255,452	42,221,235	1,218,521	50,424,580	7,709,801	4,811,899	-	(27,909)	136,613,579
2002	33,255,488	46,297,193	1,091,143	56,462,144	7,503,237	3,998,642	-	(4,088)	148,603,759
2003	31,951,093	52,695,000	3,473,175	60,406,712	6,538,485	1,566,031	-	16,296	156,646,792
2004	33,271,978	53,642,415	960,689	82,991,160	3,003,251	996,330	-	110,620	174,976,443

(A) - The County implemented GASB Statement No. 34 as of and for the year ended December 31, 2001.
Accordingly data prior to 2001 is not available.

Source: Washtenaw County Finance Department

WASHTENAW COUNTY

GOVERNMENT-WIDE EXPENSES BY FUNCTION (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004 (A)

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-
1997	-	-	-	-	-	-
1998	-	-	-	-	-	-
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	588,623	16,940,482	13,170,064	34,060,565	1,154,023	29,462,897
2002	638,162	18,074,211	13,966,388	36,228,288	1,413,125	31,477,846
2003	597,651	19,584,218	16,429,079	40,927,414	2,246,625	30,669,892
2004	647,373	21,443,309	14,957,915	42,748,613	611,126	31,869,261

(A) - The County implemented GASB Statement No. 34 as of and for the year ended December 31, 2001.
Accordingly data prior to 2001 is not available.

Source: Washtenaw County Finance Department

<u>Social Services</u>	<u>Culture and Recreation</u>	<u>Other Activities</u>	<u>Interest on Long-Term Debt</u>	<u>Delinquent Tax Collections</u>	<u>Property Foreclosure</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,944,476	5,605,340	4,642,941	1,485,302	456,868	-	128,511,581
22,484,109	6,382,489	6,062,374	1,791,363	489,348	-	139,007,703
21,672,601	6,634,291	6,088,589	1,643,952	180,046	228,598	146,902,956
22,006,150	7,064,861	4,223,737	1,273,833	241,083	189,756	147,277,017

WASHTENAW COUNTY

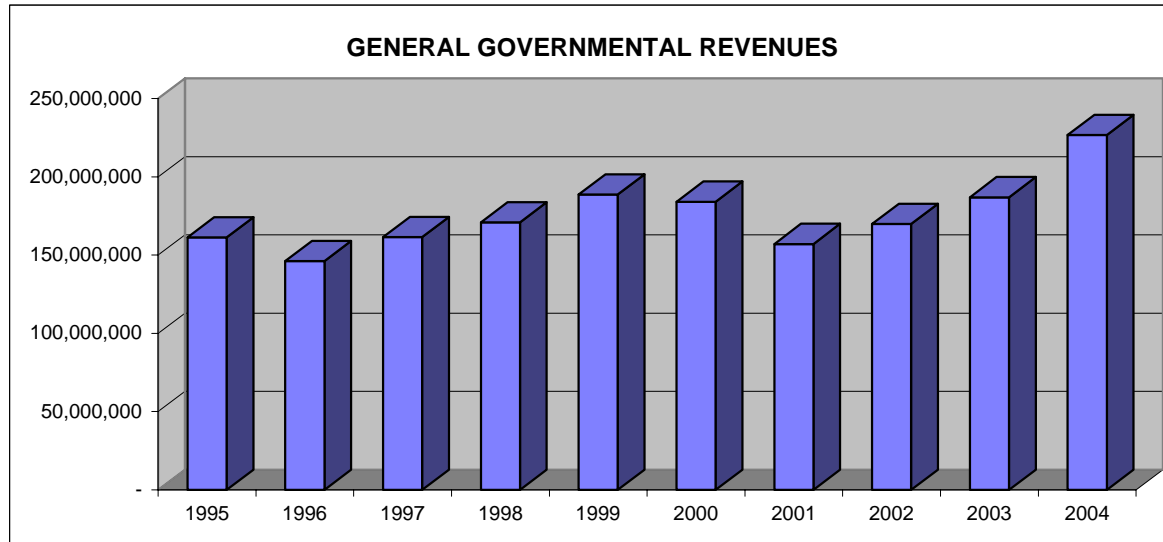
GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE (UNAUDITED)

TEN YEARS ENDED DECEMBER 31, 2004

Fiscal Year	Taxes	Special Assessments	Licenses and Permits	Inter- Governmental Revenues	Charges for Services
1995	\$ 37,433,099	\$ 155,626	\$ 2,100,648	\$ 56,186,558	\$ 25,228,760
1996	37,296,854	-	2,392,609	41,482,229	32,591,715
1997	39,512,285	-	2,614,065	41,387,272	35,456,534
1998	41,805,726	17,634	3,003,375	42,586,141	37,294,079
1999	44,620,398	33,829	3,180,792	42,674,681	42,948,659
2000	47,877,830	27,043	2,948,645	48,223,102	46,220,352
2001	50,424,580	-	3,062,605	51,149,556	19,605,316
2002	56,462,144	-	3,489,426	55,289,575	20,917,283
2003	60,406,712	-	3,417,281	55,515,317	23,770,669
2004	82,991,160	-	3,582,066	53,442,839	23,964,870

Note: Includes the general, special revenue, debt service, and capital projects funds.

Source: Washtenaw County Finance Department



<u>Fines and Forfeits</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Other Revenue</u>	<u>Other Financing Sources</u>	<u>Total</u>
\$ 905,203	\$ -	\$ 1,631,043	\$ 4,138,929	\$ 33,573,100	\$ 161,352,966
1,110,814	-	1,333,061	6,438,831	23,583,365	146,229,478
1,134,481	-	1,363,997	6,715,495	33,378,465	161,562,594
1,353,128	-	2,530,738	5,777,814	36,576,007	170,944,642
1,355,827	-	3,232,954	5,196,355	45,507,118	188,750,613
1,153,337	-	4,871,889	5,032,923	27,745,642	184,100,763
1,212,956	-	4,098,437	4,190,175	23,380,841	157,124,466
1,043,636	-	2,208,254	4,347,661	26,079,580	169,837,559
1,192,646	2,740,824	1,498,295	5,186,769	33,262,632	186,991,145
1,846,181	431,165	1,380,964	5,156,883	53,892,426	226,688,554

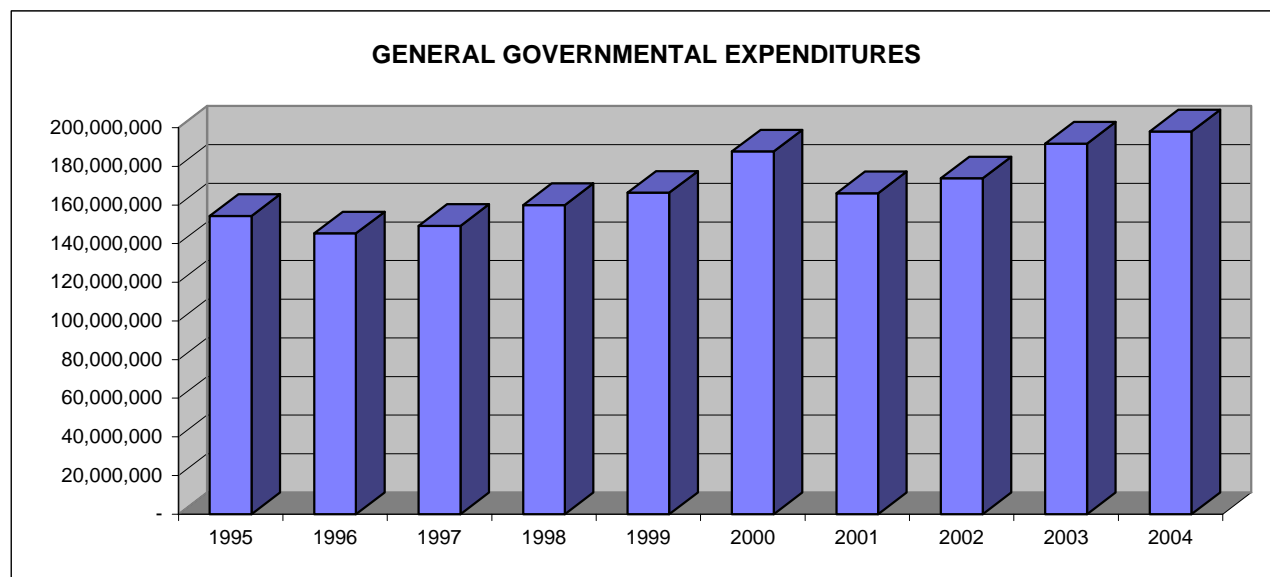
WASHTENAW COUNTY

GENERAL GOVERNMENTAL EXPENDITURES AND OTHER FINANCING USES BY FUNCTION (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health
1995	\$ 405,647	\$ 11,861,713	\$ 15,379,561	\$ 20,491,567	\$ 1,359,715	\$ 43,328,621
1996	395,407	12,685,532	11,225,862	22,172,105	1,044,859	47,512,820
1997	433,125	15,008,775	7,629,256	26,668,838	841,693	48,767,045
1998	397,893	14,946,849	8,799,555	26,570,886	928,240	46,990,073
1999	402,723	15,336,297	9,860,291	28,211,509	1,031,029	50,169,991
2000	490,648	16,507,494	10,441,919	31,702,183	1,361,687	54,118,438
2001	576,886	16,525,671	11,143,730	33,799,524	1,146,764	29,038,088
2002	630,172	17,711,346	12,287,273	36,324,964	1,410,098	31,222,165
2003	578,996	19,154,639	14,705,178	39,767,190	2,291,765	30,148,915
2004	639,574	20,414,926	11,651,589	41,600,021	613,201	31,486,496

Note: Includes the general, special revenue, debt service, and capital projects funds.

Source: Washtenaw County Finance Department



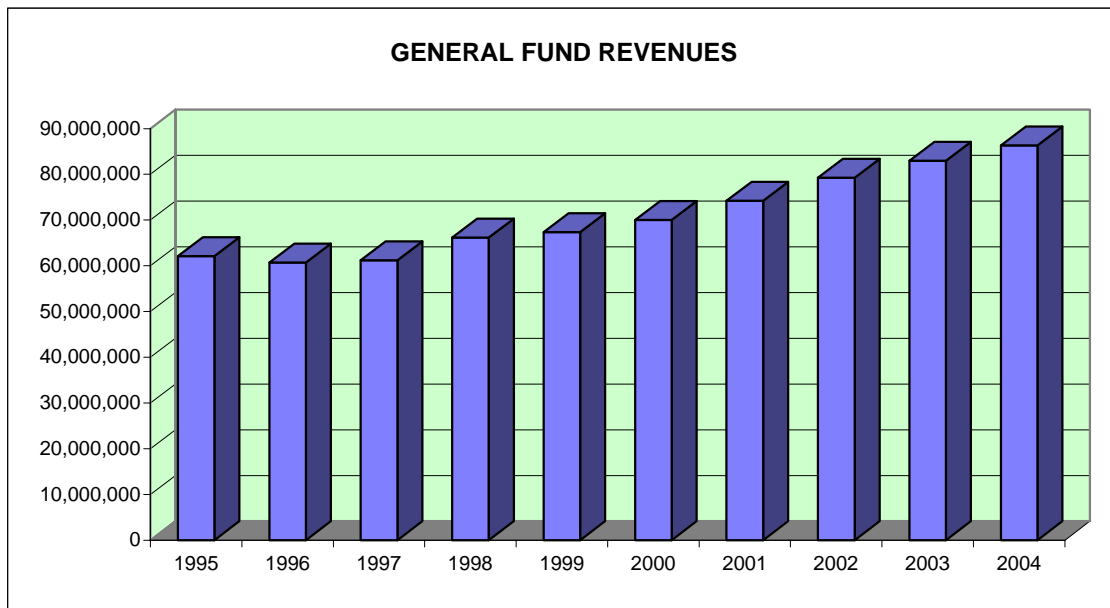
Social Services	Culture and Recreation	Other	Capital Outlay	Debt Service	Other Financing Uses	Total
\$ 17,984,391	\$ 5,767,833	\$ 2,422,105	\$ 2,382,920	\$ 12,566,675	\$ 20,333,277	\$ 154,284,025
17,678,436	4,332,049	2,175,112	1,850,136	4,416,423	19,812,866	145,301,607
15,830,425	4,122,227	2,274,338	5,285,523	3,981,784	18,301,249	149,144,278
17,439,105	4,538,645	1,758,783	11,243,640	4,672,761	21,679,908	159,966,338
17,551,932	6,074,255	1,649,209	8,057,651	5,350,054	22,622,907	166,317,848
22,027,437	7,507,217	2,208,163	14,253,745	4,946,028	22,123,359	187,688,318
20,796,935	9,190,778	2,386,345	16,120,377	4,754,044	20,642,934	166,122,076
22,350,481	9,474,501	2,204,195	13,540,717	4,850,201	21,747,483	173,753,596
21,963,095	11,120,549	3,634,853	13,085,312	5,383,800	29,921,848	191,756,140
22,412,894	10,234,930	4,223,737	5,105,824	5,078,881	44,566,703	198,028,776

WASHTENAW COUNTY

GENERAL FUND REVENUES BY SOURCE
(UNAUDITED)
TEN YEARS ENDED DECEMBER 31, 2004

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental Revenues	Charges for Services	Fines and Forfeits	Investment Income
1995	\$ 32,782,117	\$ 1,164,440	\$ 10,002,308	\$ 13,298,032	\$ 717,483	\$ 1,039,777
1996	34,168,564	1,402,446	10,150,861	10,000,925	959,754	916,079
1997	36,186,668	1,633,865	8,919,571	9,932,938	1,013,050	769,134
1998	38,286,244	1,992,862	9,445,522	11,103,292	1,182,655	1,041,596
1999	40,865,238	2,117,549	9,511,542	11,626,324	1,203,933	1,147,169
2000	43,376,837	102,966	10,704,930	12,410,195	1,127,708	1,287,098
2001	45,683,776	129,816	11,578,947	13,421,880	1,191,936	1,185,820
2002	48,813,596	111,912	11,714,821	14,974,369	1,003,693	824,979
2003	52,227,354	169,388	10,563,759	16,262,412	1,125,425	612,244
2004	54,883,846	171,524	7,758,214	16,165,713	1,226,872	544,005

Source: Washtenaw County Finance Department



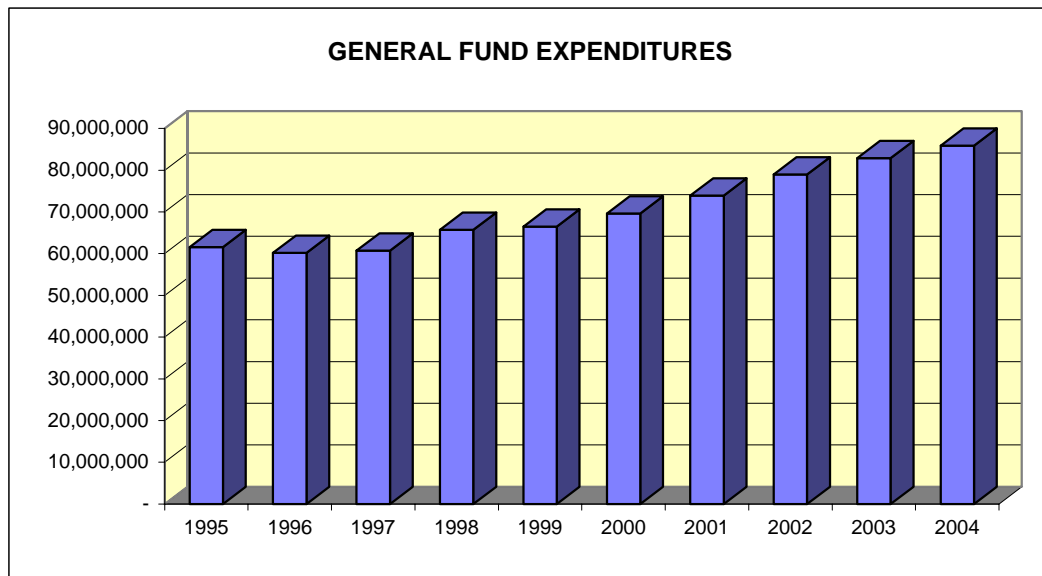
Other Revenues		Transfers In	Total
\$	519,567	\$ 2,570,432	\$ 62,094,156
	573,387	2,528,532	60,700,548
	632,400	2,125,771	61,213,397
	742,603	2,383,034	66,177,808
	807,741	94,696	67,374,192
	914,803	68,475	69,993,012
	1,003,157	-	74,195,332
	790,671	1,028,662	79,262,703
	1,084,307	925,501	82,970,390
	941,153	4,620,356	86,311,683

WASHTENAW COUNTY

GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health
1995	\$ 405,647	\$ 9,995,575	\$ 11,288,546	\$ 21,528,931	\$ 246,117	\$ -
1996	395,407	10,367,959	7,176,706	22,986,916	255,350	-
1997	433,125	10,511,302	7,481,046	24,236,366	259,868	-
1998	397,893	10,747,283	8,410,232	24,669,635	223,296	-
1999	402,723	11,093,975	8,666,643	25,931,237	226,578	-
2000	490,648	11,343,377	9,455,488	26,689,224	284,395	-
2001	576,886	11,681,080	10,869,970	28,509,433	274,615	1,691,809
2002	630,172	12,657,027	11,910,251	30,810,238	406,386	1,732,474
2003	578,996	13,602,187	13,284,578	33,285,150	402,840	-
2004	639,574	14,235,820	9,619,781	36,535,457	-	-

Source: Washtenaw County Finance Department



<u>Social Services</u>	<u>Culture and Recreation</u>	<u>Other</u>	<u>Transfers Out</u>	<u>Total</u>
\$ 373,725	\$ 574,898	\$ 2,422,105	\$ 14,723,167	\$ 61,558,711
417,072	559,590	2,175,112	15,819,093	60,153,205
327,285	572,690	2,274,338	14,612,927	60,708,947
850,991	576,621	1,758,783	18,109,971	65,744,705
851,513	606,884	1,649,209	17,078,613	66,507,375
1,055,274	643,018	2,208,163	17,447,274	69,616,861
1,001,111	674,524	2,386,345	16,223,921	73,889,694
1,100,806	709,564	2,204,195	16,837,786	78,998,899
1,243,477	718,738	3,634,853	16,150,909	82,901,728
1,178,913	820,124	4,223,737	18,615,493	85,868,899

WASHTENAW COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

For Tax Levy December 1,	To Fund Operations in Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Tax Levy Collected Before Delinquent	Reimbursed From Delinquent Tax Fund	Total Tax Collections	Ratio of Total Collections to Tax Levy	Delinquent Personal Taxes
1994	1995	\$ 38,690,887	\$ 36,539,835	94.44 %	\$ 2,025,525	\$ 38,565,360	99.68 %	\$ 125,527
1995	1996	38,535,786	36,524,079	94.78	1,875,746	38,399,825	99.65	135,961
1996	1997	40,761,846	38,703,199	94.95	1,945,179	40,648,378	99.72	117,282
1997	1998	43,164,015	40,920,859	94.80	2,114,270	43,035,129	99.70	128,886
1998	1999	46,135,320	43,673,258	94.67	2,243,851	45,917,109	99.53	218,211
1999	2000	49,444,080	47,151,623	95.36	2,133,910	49,285,533	99.68	158,547
2000	2001	52,181,561	49,523,726	94.90	2,350,685	51,874,411	99.41	307,150
2001	2002	58,269,004	55,501,885	95.26	2,417,213	57,919,098	99.40	349,906
2002	2003	62,459,717	59,400,607	95.10	2,586,635	61,987,242	99.24	472,472
2003	2004	65,676,479	62,650,121	95.34	2,622,050	65,272,171	99.38	404,308

Source: Washtenaw County Treasurer's Office

WASHTENAW COUNTY

TAX COLLECTION HISTORY (REAL AND PERSONAL) PERCENT OF CURRENT TAX COLLECTIONS TO TAX LEVY (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
CITIES:										
Ann Arbor	96.25%	96.58%	96.81%	97.31%	97.49%	97.78%	97.83%	97.75%	96.63%	97.01%
Milan	95.15	95.43	96.35	96.01	94.49	95.16	95.29	92.71	92.31	91.17
Saline	97.97	98.09	98.61	98.93	98.65	98.66	98.79	98.03	97.85	97.69
Ypsilanti	92.52	92.07	92.38	92.10	90.22	91.57	90.91	89.65	89.75	92.92
TOWNSHIPS:										
Ann Arbor	98.76	98.71	98.68	98.72	98.59	98.16	97.08	98.94	97.07	98.08
Augusta	87.20	86.97	88.58	87.86	87.84	88.73	89.56	90.31	89.96	92.21
Bridgewater	87.07	88.46	91.45	89.69	89.94	90.22	90.91	92.49	90.88	92.17
Dexter	91.12	93.25	91.64	91.66	91.61	92.28	92.80	93.60	94.04	92.78
Freedom	94.34	93.96	94.81	95.46	93.66	94.66	95.50	93.78	94.30	94.07
Lima	91.61	93.08	93.39	94.08	94.17	95.50	95.23	96.27	93.64	93.63
Lodi	92.49	95.24	95.61	94.92	95.94	96.05	95.53	95.84	94.16	94.52
Lyndon	88.33	92.01	92.43	91.93	90.93	93.94	92.77	94.56	94.84	91.33
Manchester	94.25	93.57	92.25	94.19	87.20	95.26	90.77	94.34	93.77	92.93
Northfield	85.99	89.17	88.45	87.77	88.43	91.71	89.71	89.75	92.47	94.07
Pittsfield	95.72	94.28	95.68	94.45	95.38	96.54	95.84	95.90	94.72	95.84
Salem	91.90	92.86	93.66	94.71	95.65	95.76	94.81	95.54	95.05	95.36
Saline	93.52	92.11	94.31	93.32	94.68	96.11	94.48	95.17	95.06	93.76
Scio	93.60	94.07	94.33	93.50	93.87	91.83	91.15	94.45	94.55	94.85
Sharon	90.63	91.86	90.39	90.88	91.18	93.14	91.32	94.27	94.05	93.30
Superior	94.28	93.39	92.70	94.38	94.33	93.50	94.15	93.58	92.83	92.39
Sylvan	93.42	94.21	94.83	94.53	93.07	95.48	94.96	93.62	93.31	93.71
Webster	91.85	92.36	93.17	92.03	92.51	93.26	93.30	94.75	95.98	94.91
York	92.60	93.67	93.52	94.55	94.27	94.80	94.46	95.61	94.33	94.20
Ypsilanti	95.83	95.68	95.24	95.66	95.04	95.06	95.35	95.85	94.53	94.25
Average	92.77%	93.38%	93.72%	93.70%	93.30%	94.38%	93.36%	94.27%	94.01%	94.05%

NOTE: 2004 figures unavailable at time of publication.

WASHTENAW COUNTY

DELINQUENT TAX COLLECTION HISTORY (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

Tax Levied December 1,	Calendar Year of Tax Note Sale	Taxes Receivable March 1	Percent of Delinquent Taxes Receivable			
			May 1, Note Sale	January 1, 1st Year	1st Pay May 1	January 1, 2nd Year
1994	1995	\$ 14,403,276	86.00 %	54.56 %	40.61 %	27.02 %
1995	1996	14,488,188	86.21	50.98	40.60	23.38
1996	1997	14,510,227	85.59	43.23	34.23	20.57
1997	1998	15,246,579	84.14	42.34	30.15	18.48
1998	1999	15,870,863	80.73	39.73	29.18	18.03
1999	2000	15,203,213	80.97	31.03	12.31	5.81
2000	2001	16,492,350	82.49	33.54	15.12	6.39
2001	2002	17,267,635	73.58	33.47	17.59	7.35
2002	2003	18,454,000	80.04	32.09	15.64	6.22
2003	2004	17,457,530	73.18	29.95	(a)	(a)

(a) Figures not available at time of publication.

Source: Washtenaw County Treasurer's Office.

Percent of Delinquent Taxes Receivable

2nd Pay May 1	January 1, 3rd Year	3rd Pay May 1	January 1, 4th Year
15.99 %	1.99 %	0.84 %	0.22 %
10.08	1.21	1.03	0.85
8.27	0.69	0.43	0.4
7.91	4.19	2.08	1.11
11.17	7.04	3.17	1.39
2.01	0.43	0.31	0.12
2.62	0.6	0.24	0.14
3.64	1.39	(a)	(a)
(a)	(a)	(a)	(a)
(a)	(a)	(a)	(a)

WASHTENAW COUNTY

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

TEN YEARS ENDED DECEMBER 31, 2004

For Tax Levy December 1,	To Fund Operations in Calendar Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	1996	\$ 6,271,012,377	\$ 12,610,338,764	\$ 792,548,789	\$ 1,585,097,578
1996	1997	6,699,792,185	13,478,539,087	889,032,294	1,778,064,588
1997	1998	7,273,432,217	14,546,864,434	949,356,293	1,898,712,586
1998	1999	7,978,947,455	15,957,894,910	1,002,125,341	2,004,250,682
1999	2000	8,880,334,494	17,830,767,151	1,075,064,373	2,150,128,746
2000	2001	9,892,198,884	19,847,788,234	1,059,130,479	2,118,260,958
2001	2002	11,105,925,473	22,302,228,623	1,085,092,665	2,170,185,330
2002	2003	12,556,916,886	25,201,893,232	1,145,184,940	2,290,369,880
2003	2004	13,953,119,807	28,011,374,722	1,092,570,745	2,185,141,490
2004	2005	15,218,228,675	30,565,332,756	1,096,757,042	2,193,514,084

Source: County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax and prior to any Board of Review actions.

Total		Ratio of Total Assessed to Total Estimated Actual Value
Assessed Value	Estimated Actual Value	
\$ 7,063,561,166	\$ 14,195,436,342	49.76 %
7,588,824,479	15,256,603,675	49.74
8,222,788,510	16,445,577,020	50.00
8,981,072,796	17,962,145,592	50.00
9,955,398,867	19,980,895,897	49.80
10,951,329,363	21,966,049,192	49.86
12,191,018,138	24,472,413,953	49.82
13,702,101,826	27,492,263,112	49.83
15,045,690,552	30,196,516,212	49.83
16,314,985,717	32,758,846,840	49.80

WASHTENAW COUNTY

PROPERTY TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)

TEN YEARS ENDED DECEMBER 31, 2004

For Tax Levy December 1,	To Fund Operations in Calendar Year	Taxable Value	Tax Levies	
			County	Township and City
1994	1995	\$ 6,717,463,432	\$ 38,690,887	\$ 68,932,545
1995	1996	7,063,561,166	38,535,786	70,179,170
1996	1997	7,588,824,479	40,761,846	73,572,653
1997	1998	8,222,788,510	43,164,015	77,953,711
1998	1999	8,461,897,840	46,135,320	82,629,899
1999	2000	9,077,146,725	50,103,127	85,681,125
2000	2001	9,659,379,194	52,893,795	90,001,913
2001	2002	10,449,795,055	59,325,576	97,083,226
2002	2003	11,345,352,437	63,744,997	105,349,044
2003	2004	11,987,709,008	66,914,193	111,463,327

For Tax Levy December 1,	To Fund Operations in Calendar Year	Selected Tax Rates (Mills)		
		Operation	County Imposed and Debt Mills	Special Voted
1994	1995	4.826800	0.0000000	.6868000
1995	1996	4.826800	0.0000000	.6868000
1996	1997	4.826800	0.0000000	.6699000
1997	1998	4.826800	0.0000000	.6695000
1998	1999	4.826300	0.0000000	.6694000
1999	2000	4.797800	0.0000000	.7219000
2000	2001	4.759800	0.0000000	.7161000
2001	2002	4.717400	0.0012000	.9586000
2002	2003	4.668300	0.4859000	.4644000
2003	2004	4.638400	0.0000000	.9435000

Source: Washtenaw County Treasurer's Office.

Tax Levies					
		Intermediate			
Schools	Community Colleges	School Districts	Special Assessments	Total	
\$ 139,713,871	\$ 20,490,573	\$ 22,677,329	\$ 1,611,227	\$	292,116,432
156,164,484	21,222,277	23,669,294	1,642,219		311,413,230
167,860,181	21,701,332	25,399,490	1,796,299		331,091,801
175,556,676	30,380,968	26,613,983	1,880,411		355,549,764
185,428,797	34,250,923	27,694,463	1,846,206		377,985,608
192,451,059	36,113,163	28,353,621	1,893,402		394,595,497
195,393,636	38,075,075	29,991,589	1,554,645		407,910,653
198,435,799	40,980,637	32,435,538	1,334,392		429,595,168
233,358,771	42,790,443	35,344,909	1,323,027		481,911,191
230,413,602	45,386,984	37,137,797	1,707,581		493,023,484

Selected Tax Rates (Mills)	
Washtenaw Community College	Washtenaw Intermediate School District
3.08	3.43
3.06	3.43
2.93	3.43
3.90	3.43
4.10	3.32
4.03	3.16
3.99	3.13
3.97	3.11
3.86	3.07
3.83	3.46

WASHTENAW COUNTY

PROPERTY TAX RATES PER \$1,000 EQUALIZED VALUATION AND TAX LEVIES (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

	<u>1995</u> <u>NH</u>	<u>1995</u> <u>H</u>	<u>1996</u> <u>NH</u>	<u>1996</u> <u>H</u>	<u>1997</u> <u>NH</u>	<u>1997</u> <u>H</u>	<u>1998</u> <u>NH</u>	<u>1998</u> <u>H</u>	<u>1999</u> <u>NH</u>	<u>1999</u> <u>H</u>
CITIES:										
Ann Arbor	\$ 56.43	\$ 49.04	\$ 55.85	\$ 46.06	\$ 57.12	\$ 48.10	\$ 57.14	\$ 47.58	\$ 56.31	\$ 46.61
Milan	58.48	40.48	57.11	39.11	55.50	37.50	58.49	40.49	59.08	41.08
Saline	55.51	37.51	56.46	38.46	56.33	38.33	54.59	36.62	51.64	33.96
Ypsilanti	64.61	46.61	68.16	50.16	68.43	50.43	68.51	50.51	68.12	50.31
TOWNSHIPS:										
Ann Arbor	43.04	35.65	42.53	32.74	43.35	34.33	43.29	33.73	42.63	32.93
Augusta	45.44	27.44	45.42	27.42	45.09	27.09	47.04	29.04	45.88	27.96
Bridgewater	40.45	22.45	42.03	24.03	45.25	24.25	42.75	24.75	41.97	24.37
Dexter	43.37	25.37	43.67	25.67	44.56	26.72	45.34	27.81	46.12	28.45
Freedom	42.07	24.07	42.79	24.79	43.68	25.28	43.68	25.82	43.32	25.57
Lima	43.84	25.84	44.36	26.36	44.82	26.82	45.84	28.12	45.82	27.90
Lodi	44.54	26.54	43.86	29.15	43.28	28.40	43.83	28.84	43.51	28.38
Lyndon	43.23	25.23	43.72	25.72	44.63	26.68	46.10	28.15	44.00	26.45
Manchester	40.85	22.85	40.52	22.52	41.30	23.36	42.64	24.73	42.63	24.90
Northfield	49.95	31.95	39.76	33.75	50.63	34.41	50.79	35.20	50.58	34.83
Pittsfield	49.27	31.27	49.97	34.52	46.63	30.77	47.92	32.04	47.24	31.39
Salem	38.21	21.72	37.72	20.90	38.95	22.28	39.52	22.78	39.27	22.50
Saline	42.32	25.32	43.44	25.44	42.48	24.48	44.90	26.91	44.47	26.67
Scio	41.66	28.97	42.01	28.12	42.42	28.91	43.35	29.85	43.19	29.34
Sharon	43.27	25.27	43.12	25.12	43.58	25.58	44.92	31.57	44.55	26.82
Superior	44.57	31.87	46.11	31.19	49.14	32.27	45.42	31.64	45.86	32.03
Sylvan	44.97	26.97	44.82	26.82	45.79	27.79	45.88	27.88	45.51	27.66
Webster	42.24	26.36	42.65	26.29	43.50	23.50	43.83	28.41	43.50	27.92
York	42.64	24.64	43.00	25.00	42.89	24.89	44.28	26.29	43.79	25.95
Ypsilanti	50.51	32.51	49.81	31.81	51.56	33.56	52.30	34.30	51.80	33.88

H = Homestead

NH = Non-Homestead

Source: Washtenaw County Equalization Office.

<u>2000</u> <u>NH</u>	<u>2000</u> <u>H</u>	<u>2001</u> <u>NH</u>	<u>2001</u> <u>H</u>	<u>2002</u> <u>NH</u>	<u>2002</u> <u>H</u>	<u>2003</u> <u>NH</u>	<u>2003</u> <u>H</u>	<u>2004</u> <u>NH</u>	<u>2004</u> <u>H</u>
\$ 56.10	\$ 45.46	\$ 55.76	\$ 44.80	\$ 58.93	\$ 47.53	\$ 57.79	\$ 45.44	\$ 59.68	\$ 47.36
63.35	45.35	60.54	42.54	61.80	43.80	60.68	42.70	62.56	44.59
53.60	35.60	54.56	36.56	56.34	38.34	57.25	39.25	59.89	41.89
67.79	50.06	70.82	53.12	73.01	55.35	73.11	55.11	74.63	56.63
41.96	31.32	41.53	30.57	44.86	33.47	43.68	31.34	46.26	33.94
47.92	30.00	46.54	28.81	47.30	29.81	46.94	28.95	49.05	31.06
43.41	25.77	46.20	28.62	46.92	29.38	46.55	28.55	48.85	30.85
46.30	28.30	48.42	30.42	49.25	31.25	48.16	30.16	50.18	32.18
44.15	26.15	45.59	27.59	46.37	28.37	45.19	27.19	47.06	29.06
45.78	27.78	45.92	27.92	46.65	28.65	45.64	27.64	47.84	29.84
44.06	28.51	44.37	28.72	45.81	30.01	44.68	28.57	46.56	30.46
45.63	28.41	46.54	28.54	47.78	29.78	46.84	28.84	48.92	30.92
44.14	26.44	45.56	27.91	45.92	28.34	45.46	27.46	46.79	28.79
50.61	34.70	52.08	35.84	51.75	35.40	52.24	35.66	54.03	37.45
48.62	33.08	47.75	32.10	49.21	33.41	48.08	31.98	49.97	33.87
39.23	22.33	39.73	22.74	42.02	25.12	40.95	23.90	42.42	25.36
46.92	29.22	46.21	28.55	46.32	28.70	45.85	27.86	47.38	29.39
43.02	28.70	42.99	28.51	44.75	30.05	43.62	28.45	46.01	30.85
44.67	26.74	47.11	29.18	46.09	28.20	45.26	27.44	45.53	27.81
45.88	31.60	46.53	32.09	46.82	31.70	45.53	30.05	47.80	32.33
45.54	27.54	45.69	27.69	46.93	28.93	46.01	28.01	48.58	30.58
44.47	28.52	44.70	28.46	44.18	27.84	44.50	27.92	46.10	29.52
45.82	27.87	45.24	27.42	45.19	27.53	44.44	26.44	46.30	28.30
51.63	33.73	52.46	34.70	53.50	35.84	53.91	36.07	54.66	36.82

WASHTENAW COUNTY
PRINCIPAL TAXPAYERS
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2004

	Real Property Assessment	Personal Property Assessment	Total Assessment	Percent of Assessed Value
Pfizer Global Research and Development	\$ 145,145,400	\$ 112,949,963	\$ 258,095,363	1.58%
Visteon	39,869,300	149,002,900	188,872,200	1.16%
General Motors	31,168,400	138,645,250	169,813,650	1.04%
Detroit Edison	19,961,610	107,889,850	127,851,460	0.78%
Michigan Consolidated Gas Co.	2,932,570	78,675,859	81,608,429	0.50%
Briarwood Complex (including J.C. Penney's, Sears, Hudson, Jacobson's)	59,213,500	12,458,800	71,672,300	0.44%
Domino's	57,823,960	3,155,400	60,979,360	0.37%
Toyota	38,191,030	12,344,900	50,535,930	0.31%
Daimler Chrysler	22,752,400	19,355,100	42,107,500	0.26%
Meijer Incorporated	37,196,400	7,200	37,203,600	0.23%
Great Lakes Bank / Retirement LP	30,385,400	6,077,900	36,463,300	0.22%
NSK Corp	19,081,490	14,334,500	33,415,990	0.20%
Comcast/Media One	24,866,900	-	24,866,900	0.15%
Lake in the Woods	22,539,800	-	22,539,800	0.14%
Arborland LLC	5,637,450	14,520,700	20,158,150	0.12%
	<u>\$ 556,765,610</u>	<u>\$ 669,418,322</u>	<u>\$ 1,226,183,932</u>	<u>7.52%</u>

Source: Washtenaw County Equalization Department.

WASHTENAW COUNTY

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

To Fund Operations in Calendar Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections/ Amount Due	Total Delinquent Assessments March 1,
1995	\$ 1,611,227	\$ 1,574,140	97.70 %	\$ 37,087
1996	1,642,219	1,579,095	96.16	63,124
1997	1,796,299	1,731,236	96.38	65,063
1998	1,880,411	1,771,215	94.19	109,196
1999	1,846,206	1,789,068	96.91	57,138
2000	1,893,402	1,795,313	94.82	98,089
2001	1,554,645	1,512,466	97.23	42,179
2002	1,334,392	1,285,794	96.36	48,598
2003	1,323,027	1,282,808	96.96	40,219
2004	1,707,581	1,664,828	97.49	42,753

All delinquent assessments are paid from the current delinquent tax revolving fund.

Source: Washtenaw County Treasurer's Office.

WASHTENAW COUNTY

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED) DECEMBER 31, 2004

DEBT ISSUED FOR PURPOSE OF COUNTY FUNCTIONS ONLY:

General obligation tax notes	\$ 11,000,000
Building authority bonds	38,120,000
Notes payable	292,133
County share of drain bonds and notes	<u>367,460</u>
Total	<u>49,779,593</u>

DEBT ISSUED FOR BENEFIT OF LOCAL IMPROVEMENTS:

Drain bonds and notes	3,993,940
Public works - water and sewer	45,237,279
County Road Commission	<u>2,945,000</u>
Total	<u>52,176,219</u>

TOTAL DEBT ISSUED WITH COUNTY FULL FAITH AND CREDIT	<u><u>\$ 101,955,812</u></u>
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WASHTENAW COUNTY DEBT LIMIT:

2004 Assessed Value-Real and Personal Property*	\$ 16,314,985,717
Constitutional debt limit	<u>10%</u>
County debt limit	1,631,498,572
Outstanding debt	<u>101,955,812</u>

REMAINING DEBT LIMIT AGAINST WHICH BONDS MAY BE ISSUED	<u><u>\$ 1,529,542,760</u></u>
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COUNTY DEBT LIMIT %	<u><u>0.62%</u></u>
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*Sour County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax,
and prior to any Board of Review actions.

WASHTENAW COUNTY

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

(UNAUDITED)

TEN YEARS ENDED DECEMBER 31, 2004

Calendar Year	Population *	Assessed Value to Fund Operations in Calendar Year #	Net Bonded Debt Dec 31	Ratio of Debt to Assessed Value	Net Bonded Debt Per Capita
1995	291,642	\$ 6,717,463,432	\$ 37,613,316	0.56	\$ 128.97
1996	295,717	7,063,561,166	31,926,244	0.45	107.96
1997	299,503	7,588,824,479	36,340,941	0.48	121.34
1998	302,787	8,222,788,510	42,798,950	0.52	141.35
1999	306,073	8,981,072,796	55,337,184	0.62	180.80
2000	322,895	9,955,398,867	47,445,534	0.48	146.94
2001	329,308	10,951,329,363	44,552,444	0.41	135.29
2002	334,351	12,191,018,138	44,326,081	0.36	132.57
2003 (a)	334,351	13,702,101,826	44,635,117	0.33	133.50
2004 (a)	334,351	15,045,690,552	49,779,593	0.33	148.88

(a) Census Data not available at the time of publication.

Source: * U. S. Bureau of the Census

County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax
and prior to any Board of Review actions.

WASHTENAW COUNTY

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GOVERNMENTAL LONG-TERM DEBT TO TOTAL GENERAL EXPENDITURES (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

Year	Annual Debt Service	Total General Expenditures	Ratio
1995	\$ 12,566,675	\$ 133,950,748	9.4
1996	4,416,423	125,488,741	3.5
1997	3,981,784	130,843,029	3.0
1998	4,672,761	138,286,430	3.4
1999	5,350,054	143,694,941	3.7
2000	4,946,028	165,564,959	3.0
2001	4,754,044	145,479,142	3.3
2002	4,850,201	152,006,113	3.2
2003	5,383,800	161,834,292	3.3
2004	5,078,881	153,462,073	3.3

Note: Includes the general, special revenue, debt service, and capital projects funds.

Source: Washtenaw County Finance Department.

WASHTENAW COUNTY

COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT

(UNAUDITED)

DECEMBER 31, 2004

	Gross Amount Outstanding	Self-Supporting or Paid by Benefited Entity	Net Amount Outstanding
DIRECT DEBT:			
General obligation tax notes	\$ 11,000,000	\$ 11,000,000	\$ -
Building authority bonds	38,120,000	-	38,120,000
Notes payable	292,133	-	292,133
Drain bonds and notes	4,362,400	3,993,940	368,460
Public Works - water and sewer debt	45,237,279	45,237,279	-
County Road Commission debt	2,945,000	2,945,000	-
	<u>101,956,812</u>	<u>63,176,219</u>	<u>38,780,593</u>
NET DIRECT DEBT	<u>\$ 101,956,812</u>	<u>\$ 63,176,219</u>	<u>38,780,593</u>
 OVERLAPPING DEBT:			
School Districts			110,909,742
Cities			72,641,704
Townships			7,985,000
Villages			860,478,068
Intermediate School District			48,140
Community Colleges			61,366,765
Library			25,550,347
			<u>1,138,979,766</u>
Net overlapping debt			<u>1,138,979,766</u>
 NET DIRECT AND OVERLAPPING DEBT			 <u><u>\$ 1,177,760,359</u></u>

Source: Washtenaw County Finance Department and Municipal Advisory Council of Michigan.

WASHTENAW COUNTY

DEMOGRAPHIC INFORMATION
(UNAUDITED)

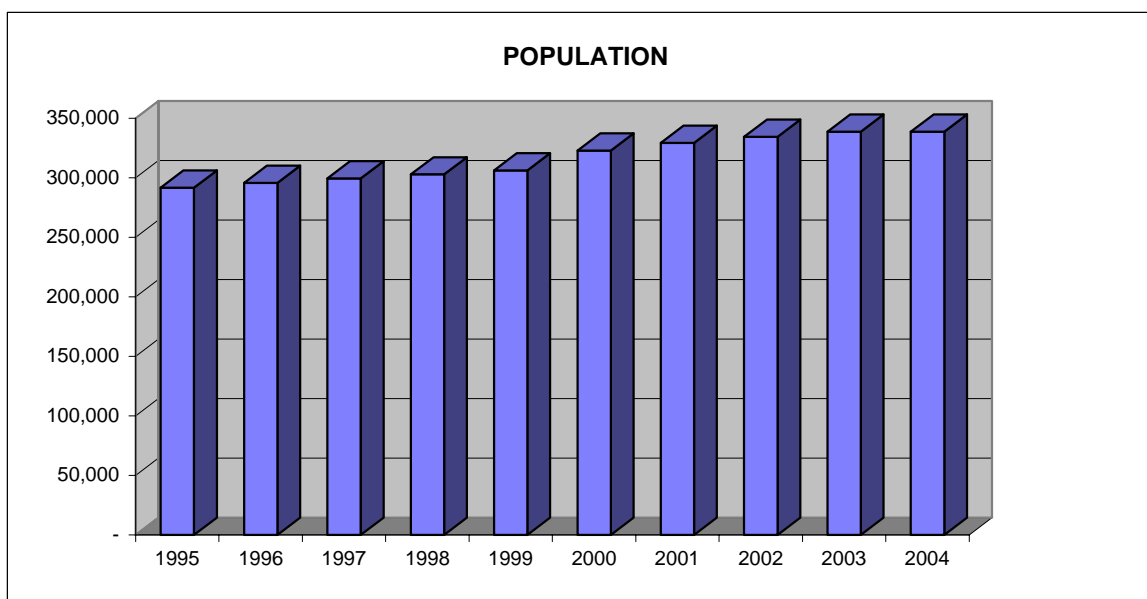
TEN YEARS ENDED DECEMBER 31, 2004

<u>Year</u>	<u>Population</u>	<u>Per Capita Unemployment</u>	<u>Per Capita Income</u>
1995	291,642	3.80	30,386
1996	295,717	2.30	31,510
1997	299,503	2.10	31,902
1998	302,787	1.80	33,305
1999	306,073	1.80	34,623
2000	322,895	1.60	36,676
2001	329,308	2.60	(b)
2002	334,351	2.90	(b)
2003	334,351 (a)	3.10	(b)
2004	334,351 (a)	3.20	(b)

(a) Census Data not available at the time of publication.

(b) Data not available.

Source: U.S. Census Bureau, U.S. Department of Commerce
Michigan Department of Career Development Employment Service Agency
Michigan Economic Development Corporation



WASHTENAW COUNTY

REAL PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED) TEN YEARS ENDED DECEMBER 31, 2004

Calendar Year	Commercial Construction (a)		Residential Construction (b)		Bank Deposits (June 30) (c)	Real Property Value (d)		
	Number of Units	Value (000)	Number of Units	Value (000)		Industrial/ Commercial	Residential	Agriculture
1995	223	\$ 42,350	1,935	\$ 233,648	\$ 2,391,069,000	\$ 1,786,449,615	\$ 3,957,127,184	\$ 212,262,285
1996	288	51,301	2,412	290,391	2,354,162,000	1,838,875,064	4,218,196,537	216,070,681
1997	363	91,951	2,354	288,444	3,046,407,000	1,944,449,698	4,591,218,918	241,684,700
1998	252	127,724	2,718	337,802	3,732,011,000	2,058,280,892	5,609,646,444	244,315,663
1999	274	106,433	2,617	344,120	3,460,150,000	2,271,920,439	6,278,399,655	259,921,149
2000	235	157,463	1,980	319,642	3,582,448,000	2,490,881,420	7,047,875,148	294,361,526
2001	161	24,289	2,105	306,828	3,844,425,000	2,805,881,812	7,947,074,679	301,951,282
2002	184	34,283	2,333	335,847	3,944,332,000	3,140,235,806	8,983,152,742	361,894,938
2003	251	46,110	2,301	353,127	4,230,437,000	3,456,997,490	10,017,579,990	405,628,167
2004	218	19,744	(b)	(b)	4,445,389,000	3,768,714,155	11,016,278,257	440,844,603

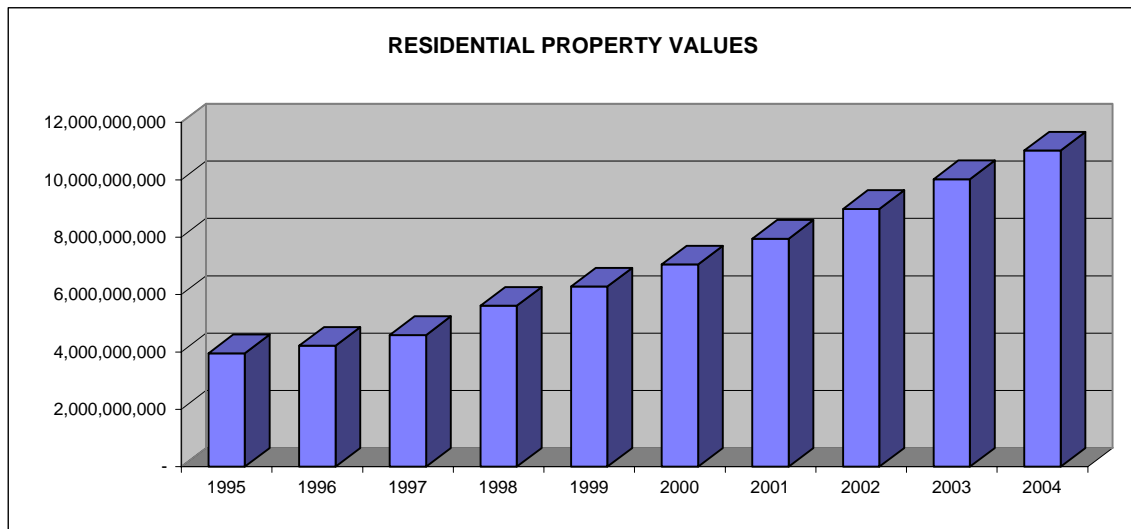
(a) Washtenaw County Building Inspection

(b) Bureau of the Census - Manufacturing and Construction Division - date not available at time of publication

(c) FDIC Data Book.

(d) Equalized value of one-half true cash value.

Source: County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax and prior to any Board of Review actions.



WASHTENAW COUNTY

SCHEDULE OF INSURANCE (UNAUDITED) DECEMBER 31, 2004

<u>Type of Coverage</u> <u>Name of Company</u>	<u>Number</u>	<u>Policy Period</u>	<u>Premium</u>	<u>Description</u>
Genesis Insurance Company	YXB301015	10/1/04-10/1/05	\$ 544,800	Auto, general and police legal liability of the County for bodily injury, property damage and personal injury. Limit \$5,000,000 per occurrence and \$5,000,000 aggregate. Occurrence form; \$250,000 self insured retention.
Buildings and Contents CHUBB Insurance Co.	3584-11-MBO	10/1/04-10/1/05	135,677	All risk coverage on buildings and contents at replacement cost. \$142,209,444 limit \$250,000 deductible per occurrence (includes burglary). Includes perils from flood and earthquake.
Inland Marine Coverage	YXB301015	10/1/04-10/1/05	Included	Covers scheduled portable equipment consisting of radio and video equipment, boats and trailers, etc. All risk coverage.
Data Processing Coverage	3584-11-36-MBO	10/1/04-10/1/05	Included	Covers data processing equipment, media and extra expense. Limit \$500,000 per occurrence.
Employee Benefit Liability	XYB301015	10/1/04-10/1/05	Included	Policy limit \$1,000,000 covers employees, prospective employees, former employees, or their beneficiaries, for damages sustained in the administration of employee benefits programs.
Great American Ins. Co.	GVT2171348-01	10/1/04-10/1/05	9,967	Covers loss to the County caused by dishonesty or fraudulent act of an employee or failure to faithfully perform the duties or the position. Limit \$5,000,000 with \$10,000 loss deductible. All County employees covered. Public Employee Blanket Bond.
Public Officials Genesis Insurance Company	XYB301015	10/1/04-10/1/05	Included	Policy limit \$5,000,000 subject to \$250,000 deductible covers liability for wrongful acts, claims made form, duty to defend.
Professional Liability Hudson Insurance Co.	HCF4000602	10/1/04-10/1/05	149,941	Covers Public Health and Mental Health operations (includes doctors) \$1,000,000 each medical incident. Deductible of \$250,000 does not include defense costs.
Boiler Machinery Policy	3584-11-MBO	10/1/04-10/1/05	Included	Covers boilers and air conditioning units, broad form basis (except cast iron), including repair and/or replacement on most objects. \$1,000 deductible.
Lawyers Professional Lloyds/National Legal Aid and Defender Association	650066	10/1/04-10/1/05 3/1/04-3/1/05	2,041 15,268	Covers Employee related issues in Public Defender's Office. Professional liability limit \$1,000,000. Disciplinary proceedings limit \$5,000. Also covers Labor Relation Attorney and Corp Counsel. Personal injury \$1,000,000/1,000,000. Disciplinary proceeding \$10,000. Subject to deductible.

Continued

WASHTENAW COUNTY

SCHEDULE OF INSURANCE (UNAUDITED) DECEMBER 31, 2004

<u>Type of Coverage</u> <u>Name of Company</u>	<u>Number</u>	<u>Policy Period</u>	<u>Premium</u>	<u>Description</u>
Short-Term Bond Nickel & Saph, Inc. Hanover/Citizens	BOH1685537	12/01/04-03/31/05	\$ 9,913	Bond was based on 40% of the tax levy for the County, schools and SET (State Education Tax). County is reimbursed for approximately 95% of the cost of the bond.
Judicial Liability Lloyds Ins. Com Nat'l Union Ins. Co.	401159	10/1/04-10/1/05	32,288	Covers 20 Judges, Magistrates and referees \$1,000,000 liability coverage per claim. \$2,500 deductible.
Federal Insurance Companies	81564369	10/1/04-10/1/05	11,000	Fiduciary Liability Policy for Washtenaw County covering the VEBA, MPPP and WCERS Systems with limits of \$3,000,000.
Zurich US Insurance Group	USC9270706	10/1/04-10/1/05	470	Provide insurance coverage for underground storage tanks with limits of \$1,000,000.
Workers' Compensation BROADSPIRE		02/01/04-02/01/05	38,759	TPA for Claims Service.
Safety National		02/01/04-02/01/05	47,309	Statutory specific excess insurance above a \$350,000 retention.
Long-Term Disability Lafayette Life	GN28992 Policy #4912	Monthly	Varies with age and salary	Covers all full-time regular employees. Choice of coverage is 50%, 60%, or 66.75% of monthly salary with varying elimination periods. Also covers part-time MNA employees basic coverage only
Traditional with Master Medical (MM50) Blue Cross/Blue Scheild	01334	Monthly	Varies	Basic and Master Medical Comprehensive medical care coverage including emergency care, some out-patient treatment, and prescription co-pay. Annual deductible of \$50 (\$100 family) on Master Medical Benefits.
Comprehensive Major Medical (CMM 250) Blue Cross/Blue Shield	01334	Monthly	Varies	A cost-sharing comprehensive medical care plan including emergency care, some out-patient treatment, prescription co-pay, and annual deductible of \$250 (\$500 family) on all covered benefits.
Dental Delta Dental Core Plan	0002	Monthly	44.68	100% basic dental, 50% other services, 50% Prosthodontics and Orthodontic services, \$750 annual limit, \$600 lifetime for Orthodontic services.
Dental Delta Dental Retiree Plan	0021	Monthly	51.32	100% basic dental, 50% other services, 50% Prosthodontics, no Orthodontic services, \$750 or \$1,000 lifetime.
Dental Delta Dental Premier Plan for those in Flex Benefits who choose this option	1001	Monthly	93.35	100% basic dental, 80% other services, including sealants, 50% Orthodontics services, \$1,000 annual limit and \$1,750 lifetime for Orthodontics.
Madison National Life	4118	Monthly	Varies	Covers death of employee and/or AD&D. All full-time employees with choice of coverage equal to 1 X annual salary upto 50K, 2 X annual salary upto 100K, or 3 X annual salary upto 150K.

Continued

WASHTENAW COUNTY

SCHEDULE OF INSURANCE (UNAUDITED) DECEMBER 31, 2004

<u>Type of Coverage</u> <u>Name of Company</u>	<u>Number</u>	<u>Policy Period</u>	<u>Premium</u>	<u>Description</u>
Vision Care Blue Cross/Blue Shield/ Vision Service Plan (VSP)	O1334	Monthly	Varies	Vision Care option pays for certain vision care tests and supplies when obtained from a participating provider after County employee pays the provider the required co-payment amount.
Care Choices Catherine McAuley	#1011980001 #1011988001	01/01/04-12/31/04	Varies	HMO offers primary care physicians, network hospitals, affiliated pharmacies and laboratories and other providers within the particular HMO network. The employee is responsible for the co-pay amounts at the time of service. All claims are handled directly between the HMO and service provider.
M-Care University of Michigan Hospital	#00050300000 #0005030055	01/01/04-12/31/04	Varies	HMO offers primary care physicians, network hospitals, affiliated pharmacies and laboratories and other providers within the particular HMO network. The employee is responsible for the co-pay amounts at the time of service. All claims are handled directly between the HMO and service provider.

Concluded

WASHTENAW COUNTY

SALARIES AND SURETY BONDS OF PRINCIPALS (UNAUDITED) YEAR ENDED DECEMBER 31, 2004

SALARIES

Board of Commissioners:

Leah Gunn-Chair	\$ 20,937
Barbara Levin Bergman-Vice Chair	19,591
Vivienne N. Armentrout	17,647
Robert Brakenbury	18,726
Jeff Irwin	18,060
Martha Kern	16,914
Ronnie Peterson	16,096
Wesley Prater	21,774
Rolland Sizemore, Jr.	17,781
Stephen Solowczuk	17,494
Joseph J. Yekulis	17,564

Clerk/Register of Deeds:

Peggy Haines	96,683
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Drain Commissioner:

Janis A. Bobrin	97,139
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Prosecuting Attorney:

Brian Mackie	113,266
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Sheriff:

Daniel Minzey	113,786
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Treasurer:

Catherine McClary	101,723
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SURETY BONDS

All principals are covered by a blanket commercial bond, shown on the Schedule of Insurance.

An additional individual bond exists for the Treasurer. This bond is outlined on the Schedule of Insurance.

Source: Washtenaw County Finance Department.

WASHTENAW COUNTY

DISTRIBUTION OF INCOME BY BRACKET* (UNAUDITED)

Income in 1999 Households	Ann Arbor		Ypsilanti		Out County		Total County	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than \$10,000	4,805	10.06 %	3,170	11.00 %	1,985	4.06 %	9,960	7.94 %
\$10,000 to \$14,999	2,578	5.40	1,732	6.01	1,405	2.87	5,715	4.56
\$15,000 to \$24,999	5,323	11.15	3,378	11.72	3,687	7.54	12,388	9.87
\$25,000 to \$34,999	4,964	10.40	4,070	14.12	4,543	9.29	13,577	10.82
\$35,000 to \$49,999	7,081	14.83	5,127	17.79	6,285	12.85	18,493	14.74
\$50,000 to \$74,999	8,422	17.64	5,556	19.28	10,161	20.78	24,139	19.24
\$75,000 to \$99,999	5,323	11.15	2,999	10.41	8,043	16.45	16,365	13.04
\$100,000 to \$149,999	5,530	11.58	2,051	7.12	8,379	17.14	15,960	12.72
\$150,000 or more	3,724	7.79	736	2.55	4,408	9.02	8,868	7.07
Total	<u>47,750</u>	<u>100.00 %</u>	<u>28,819</u>	<u>100.00 %</u>	<u>48,896</u>	<u>100.00 %</u>	<u>125,465</u>	<u>100.00 %</u>

Median household income (1999 dollars) \$51,990

Per capita household income (1999 dollars) \$27,173

*Source: U.S. Census Bureau - info no change until next census is taken in 2010

WASHTENAW COUNTY

MISCELLANEOUS COUNTY STATISTICS (UNAUDITED)

Date of Incorporation: January 3, 1827
Form of Government: Elected Board of Commissioners
Area: 710.07 square miles

Miles of Roads

Federal and State - 180 miles
Primary - 542 miles
Local - 743 miles
Subdivision - 308 miles

Police Protection

Vehicle patrol units - 118 (85 police service automobiles, 2 animal control vehicle,
2 marine safety vehicles, 17 jail vehicles & 12 motorcycles)

Sheriff's Department work force - 318 (274 FTEs, 15 PTEs, 12 seasonal marine safety officers & 17 reserve officers)

Jail - lock-up security cells (single inmate)	144
7 medical cells, 4-inmate units, total capacity	28
maximum security cells	24
dormitory direct supervision beds	84
16 double bunk units, total capacity	32
trustee housing (low supervision) beds	20
Total capacity	<u>332</u>

Recreation

13 parks with approximately 1438 acres of parkland
6 Natural Area Program properties with approximately 715 acres
19 picnic areas
2 historic sites - Parker Mills & Sharon Mills
2 swimming beach areas
2 swimming pools (1 indoor and 1 outdoor)
3 fishing structures
9 nature trails and 1 nature cabin, 1 exercise trail, 8 multiuse trail
(33 miles non motorized trails approximately)
12 pavilions available for reservation by public
1 water parks (Rolling Hills Aquatic Center)
3 spray play feature (Independence Lake)
6 traditional children's playgrounds
County recreation center with special recreation programs 51,500 square feet
Pierce Lake Golf Course-18 holes
1 18 hole disc golf course
3 concession buildings
2 multi-purpose buildings for programming
1 lazy river ride

Education

Number of students:	
Kindergarten-grade 6	25,392
Grades 7 through 12	<u>22,821</u>
Total	<u>48,213</u>

Universities/Colleges

University of Michigan
Eastern Michigan University
Cleary College
Concordia Lutheran College
Washtenaw Community College

Source: Various Washtenaw County Departments.

**WASHTENAW COUNTY,
MICHIGAN**

SINGLE AUDIT

For the Year Ended December 31, 2004



REHMANN ROBSON

Certified Public Accountants

WASHTENAW COUNTY, MICHIGAN SINGLE AUDIT

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through Michigan Department of Education:		
School Breakfast Program:		
Juvenile Center	10.553	\$ 13,087
Head Start	10.553	19,711
National School Lunch Program:		
Juvenile Center	10.555	25,193
Head Start	10.555	<u>77,371</u>
Total Michigan Department of Education		135,362
Passed through Michigan Department of Community Health - Women, Infants and Children	10.557	<u>506,139</u>
Total U.S. Department of Agriculture		<u>641,501</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Programs:		
Community Development Block Grant / Entitlement Grants	14.218	781,203
HOME Investment Partnerships Program	14.239	682,516
Passed through Michigan Economic Development Corporation - Community Development Block Grant - LinkMichigan Program	14.228	37,989
Passed through SOS Community Services, Inc. - Supportive Housing Program	14.235	<u>142,692</u>
Total U.S. Department of Housing and Urban Development		<u>1,644,400</u>

continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	<u>Expenditures</u>
U.S. DEPARTMENT OF THE INTERIOR		
Passed through Michigan Department of History, Arts and Libraries -		
Historic Preservation Fund Grants-In-Aid	15.904	\$ 10,381
Historic District Statewide Design Workshop	15.904	<u>5,000</u>
Total U.S. Department of the Interior		<u>15,381</u>
U.S. DEPARTMENT OF JUSTICE		
Direct Program -		
Violence Against Women	16.588	<u>1,148,140</u>
Passed through Michigan Department of State Police -		
State Homeland Security Grant Program -		
Solution Area Planner Grant	16.007	<u>43,000</u>
Passed through Michigan Family Independence Agency -		
Juvenile Accountability Incentive Block Grants:		
Juvenile Accountability	16.523	87,161
Building Restorative Communities Grant	16.540	<u>45,525</u>
Total Michigan Family Independence Agency		<u>132,686</u>
Passed through the National Children's Alliance -		
Non-Member Program Development	16.543	<u>45,199</u>
Total U.S. Department of Justice		<u>1,369,025</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Michigan Office of Highway Safety Planning -		
State and Community Highway Safety -		
Drive Michigan Safely	20.600	<u>42,838</u>

continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Direct Program:		
Brownfields Assessment and Cleanup Cooperative Agreements:		
Revolving Loan Fund	66.818	\$ 11,391
Assessment Pilot	66.818	73,917
Passed through Michigan Department of Environmental Quality:		
Indoor Radon Grant	66.032	8,345
Huron River Storm Water Control Demonstration Park	66.460	77,012
Mallets Creek Site Design for Regional Detention	66.460	98,669
Operator Certification	66.471	12,256
Total U.S. Environmental Protection Agency		281,590
U.S. DEPARTMENT OF ENERGY		
Passed through Michigan Department of Consumer & Industry Services -		
Rebuild Michigan	81.119	2,247
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Passed through Michigan Department of State Police -		
Hazard Mitigation Grant	83.548	45,364
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs:		
Community Access Program	93.252	453,699
Head Start	93.600	3,637,723
Medical Examiner	93.994	1,500
Total Direct Programs		4,092,922

continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)		
Passed through Michigan Department of Community Health:		
Tuberculosis Control Programs	93.116	\$ 23,864
Immunization Grants:		
VFC Provider Site Visits	93.268	4,000
Immunization Action Plan	93.268	131,361
Vaccines	93.268	629,136
Bioterrorism - EPI	93.283	260,260
CDC Emergency Prep. - Focus B	93.283	14,714
CDC Emergency Prep. - Focus E	93.283	29,200
CDC Emergency Prep. - Focus F	93.283	28,606
CDC Emergency Prep. - Focus G	93.283	13,428
Medical Assistance Program:		
Care Coordination	93.778	7,430
Medicaid	93.778	13,294
QHP Medicaid	93.778	48,285
Medicaid - Full Cost (settlement)	93.778	124,487
Medicaid - Full Cost	93.778	358,604
Child Special Health Care	93.778	13,185
HIV Prevention Program -		
HIV/AIDS Counseling and Testing	93.940	77,120
Maternal and Child Health Services Block Grant:		
Local Maternal and Child Health	93.994	109,958
SIDS	93.994	(140)
Child Special Health Care	93.994	19,525
Total Michigan Department of Community Health		<u>1,906,317</u>
Passed through Washtenaw Community Health Organization:		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	43,000
Community Mental Health Services Block Grant:		
Wraparound Services Initiative	93.958	50,000
Child Respite	93.958	4,654
Cognitive Impairment	93.958	56,559
PORT-Service Capacity Expansion	93.958	67,193
Co-Occurring Training	93.958	54,259
State Incentive Grant	93.959	146,143

continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)		
Passed through Washtenaw Community Health Organization (concluded):		
Omnibus Budget Reconciliation Act -		
Preadmission Screenings and Annual		
Resident Reviews (OBRA-PASARR)	93.778	\$ 444,714
		<u>866,522</u>
Total Washtenaw Community Health Organization		
Passed through Michigan Family Independence Agency:		
Child Support Enforcement:		
Friend of the Court	93.563	2,917,857
Prosecuting Attorney	93.563	383,560
		<u>3,301,417</u>
Total Michigan Family Independence Agency		
		<u>10,167,178</u>
Total U.S. Department of Health and Human Services		<u>10,167,178</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Michigan Department of State Police -		
Emergency Management Performance Grant	97.042	47,679
		<u>47,679</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 14,257,203</u></u>

WASHTENAW COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Washtenaw County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Washtenaw County, Michigan provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Women, Infants and Children	10.557	\$ 107,415
Community Development Block Grant	14.218	526,000
HOME	14.239	629,458
Violence Against Women	16.588	342,794
Hazard Mitigation	83.548	15,385
HRSA Community Access	93.252	109,000
State Incentive	93.959	21,081
Head Start	93.600	1,597,617

* * * * *



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

March 4, 2005

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **WASHTENAW COUNTY, MICHIGAN**, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 10.1% of the assets and 15.7% of the revenues of the nonmajor governmental funds and 0.4% of the assets and 3.7% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 68.1% of the assets and 86.2% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinions, insofar as they relate to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Washtenaw County, Michigan's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Washtenaw County, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

March 4, 2005

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

Compliance

We have audited the compliance of **Washtenaw County, Michigan** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. **Washtenaw County, Michigan's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Washtenaw County, Michigan's** management. Our responsibility is to express an opinion on **Washtenaw County, Michigan's** compliance based on our audit.

Washtenaw County, Michigan's financial statements include the operations of the Employment Training and Community Services Fund, a special revenue fund of the County, which received \$5,457,089 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2004. Our audit, as described below, did not include the operations of the Employment Training and Community Services Fund because it was audited by other auditors in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Washtenaw County, Michigan's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Washtenaw County, Michigan's** compliance with those requirements.

In our opinion, *Washtenaw County, Michigan* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of *Washtenaw County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Washtenaw County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of *Washtenaw County, Michigan* as of and for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise *Washtenaw County, Michigan's* basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 10.1% of the assets and 15.7% of the revenues of the nonmajor governmental funds and 0.4% of the assets and 3.7% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 68.1% of the assets and 86.2% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2004

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

_____ yes X no

WASTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended December 31, 2004

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants and Children
14.218	Community Development Block Grant
14.239	HOME Investment Partnerships Program
16.588	Violence Against Women
93.778	Medical Assistance Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$427,716

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



March 4, 2005

To the Board of Commissioners
Washtenaw County

We have audited the basic financial statements of *Washtenaw County* as of and for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. We did not audit the financial statements of the Employment Training and Community Services Fund, a special revenue fund of the County, nor the financial statements of the Washtenaw County Road Commission, a discretely presented component unit. Those financial statements were audited by other auditors whose reports were furnished to us.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 5, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Washtenaw County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Washtenaw County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Washtenaw County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Washtenaw County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Washtenaw County's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Washtenaw County are described in Note I to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Washtenaw County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the County's internal service funds and for which the County utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the collectability of accounts receivable from third party payers for health and mental health services rendered by the County. We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the basic financial statements taken as a whole.
- Management's estimate of the original cost and accumulated depreciation of infrastructure capital assets for the Drain Commissioner is based on data derived from certain prior year audit reports. We evaluated the key factors/assumptions used to develop the original cost and accumulated depreciation of the infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments – None

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or not by the County, either individually or in the aggregate, indicate matters that could have a significant effect on the County's financial reporting process.

Disagreements with Management - None

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants - None

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Washtenaw County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit - None

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Commissioners and management of Washtenaw County, the State of Michigan, and respective federal and state grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written in a cursive style.